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Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY MARCH 1983 $2.00

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Curtains Up On HOUSEWARES '83

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JOSEPH MCNALLY
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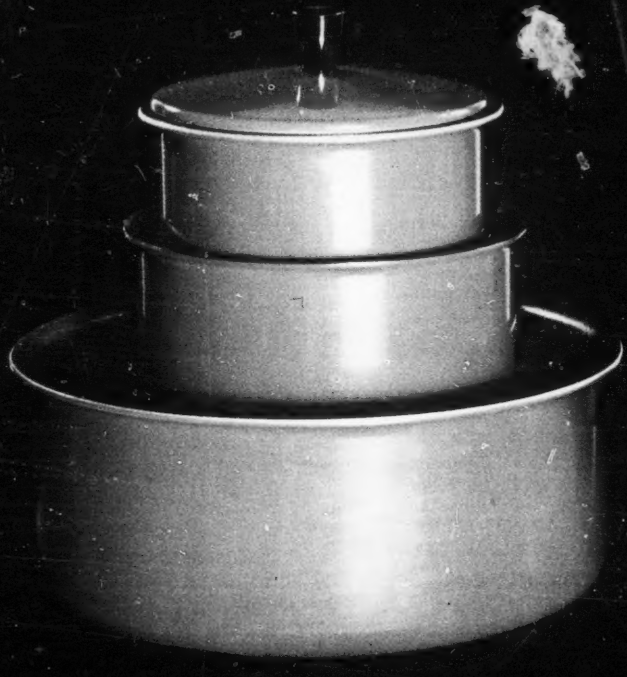

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Military Market
MAGAZINE FOR THE MILITARY RETAIL SYSTEM
MARCH 1983
ARMY TIMES PUBLISHING COMPANY
VOLUME 34, NO. 3

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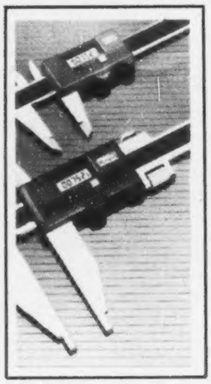

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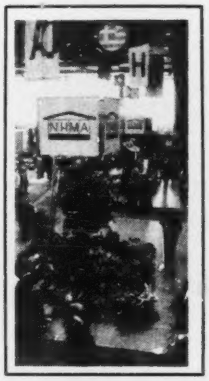

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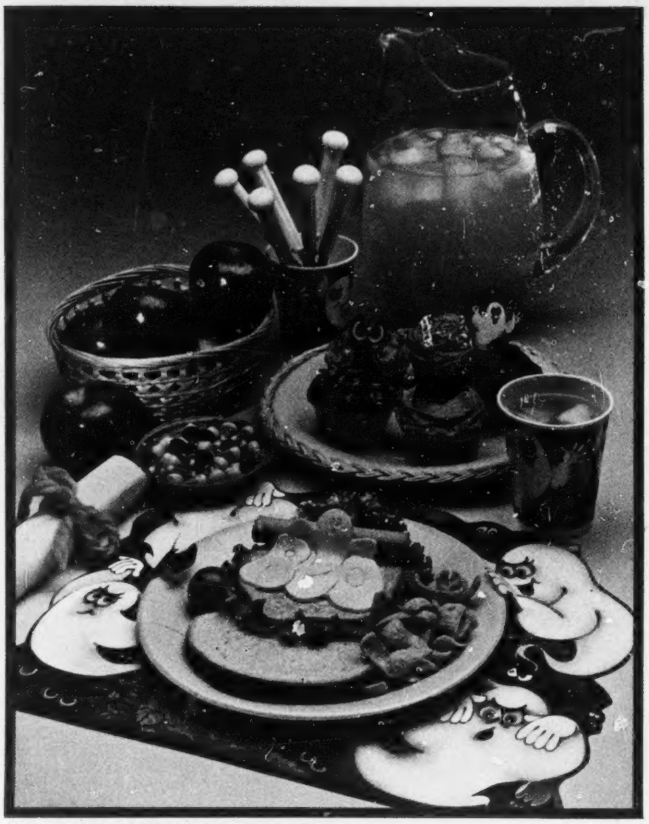
A Paper Chase

The paper, wraps and bags market is in a state of flux. Some manufacturers claim the low- and high-end products are squeezing out moderately priced items; others say generics and value brands will be the leaders of the future.



HALLMARK CARDS' Halloween partyware.

By GUY LAMOLINARA
Managing Editor

THE PAPER, WRAPS AND BAGS industry is in a crunch situation, but there is no agreement among industry experts as to which segments of the market are feeling the squeeze.

Some industry experts, such as **Dow Chemical Co.**'s marketing development manager Roland Preuss, tell MILITARY MARKET, "The Cadillacs of the industry and the low-end [products] are doing well, and this situation is occurring in many [grocery] categories."

Presto Products Inc.'s MSM Al Dobbratz says one of the industry's growth segments in plastics is in the "controlled-label value brands."

Paper Rollbacks

One way manufacturers are fighting the low-end competition is with "new and improved" products. **Procter & Gamble,** for instance, has recently improved White Cloud and its best selling toilet tissue, Charmin, and "as a result of higher quality, we reduced sheet counts so it [the roll] will still fit on the standard dispenser. Otherwise it would not fit," Sydney McHugh, a spokeswoman for P & G, tells MILITARY MARKET.

Several industry sources believe the market for generic and private label paper products has already hit its peak. "There was a flourish in generics, but no-frills seems to have topped out. It doesn't seem to be that important," Gene Kottuth, national sales manager for **Georgia Pacific Corp.,** says. "The values still lie in the national brands," he tells MILITARY MARKET.

McHugh concurs: "We view generics as a competitor in a very competitive marketplace. We, of course, use brand names. Lower price is not the sole determinant of value. It can be performance, appearance, esthetics. Quality [brand name] products are more important than cost to a majority of consumers."

Sales figures seem to bear this out. The industry giants in the t.p. trade, P & G and **Scott Paper Co.,** together have a total of 52 percent of the toilet tissue market.

Although some experts believe the public's penchant for value brands has reached its potential, this is obviously not the feeling in Cincinnati. P & G introduced Banner toilet tissue in June 1982 in North and South Carolina and parts of Georgia, and is positioning it as "a moderately priced toilet tissue that provides superior performance, but is designed to appeal to consumers who desire good performance but are unwilling to pay for the superior attributes of Charmin or White Cloud."

A similar scenario applies to P & G's Merit paper towel, which is "designed to appeal to consumers who desire good performance, but are unwilling to pay for the superior attributes of Bounty [paper towels]," McHugh says.

Adversary Ads

Comparative advertising is certainly not new to the airwaves and print, but the spate of ads leaning in this direction is at a new high. Marketers are stacking their brand name products against the generics and value brands to ensure that shoppers will realize "our product is a better buy than a bargain brand in a manner we hope will be understood by the consumer," McHugh says.

Other tactics are also being used to promote quality differences among branded products and what name-brand manufacturers con-

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PAPER, WRAPS & BAGS

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sider the category's less expensive interlopers. Scott is now promoting the Scott family of paper products as value products for families on a budget. These commercials feature the company's less expensive products, which provide the strongest competition for value and generic items.

Generics and value brands are making inroads in the last bastions of the brand name: exchanges and commissaries. According to Presto's Dobbratz, "Value brands in the military are becoming more important. There is more competitive pricing [in the marketplace], not only in plastics but in other areas as well. As long as shoppers in military stores get the quality, we'll get repeat sales. The military shopper is very much like the civilian shopper. That they want the best value is the bottom line."

The Navy Exchange brand plastic bags are Presto products. For Presto, the fastest growing products are tall kitchen garbage bags "because they allow people to take the trash right to the curb without using a large trash bag, which is eroding some of the sales of the larger bags," Dobbratz says.

Another growth category is resealable freezer bags. "We created the freezer bag market for a national brand," boasts Dow's Preuss. "Before Ziploc, the market [for freezer bags] was less than $5 million. It's $50 million today, and we have 86 percent of the market."

Despite Ziploc's relative expense in relation to other storage bags, Preuss says consumer price resistance is not apparent. In fact, among sandwich bags, "the only growing branded sandwich bag is Ziploc. The product is only four years old and already has a 24 percent share." Presto markets a resealable freezer bag, but with a different closure.

Thinner Is Better

While thick is preferable for paper products, thin is currently in in plastic trash bags. The new kid on the curb on trash pickup day is the one made of linear low-density polyethylene. LLD allows resin manufacturers to reduce energy consumption in making trash bags by as much as 75 percent. The process results in a bag with better puncture resistance. "The 1.5-mils thickness is the standard gauge for trash bags, and this can be reduced to as little as 1.2 mils with linear low density," Dobbratz says. Besides the advantage of increased strength, these bags cost less than the ordinary low-density polyethylene used in most trash bags. **Union Carbide's** LLD bag is Glad Sheer Strength, **Mobil's** is Hefty Steel Sack and Presto's is called XTRA Strength.

High-Fashion Design

If value brands and generics represent the low end of the market, paper napkins, plates and cups from greeting card manufacturers are at the other end of the scale. Industry leader **Hallmark Cards Inc.** continuously updates its patterns and colors to meet the changing demands of consumers. Currently, the trends are to "the very small, very tailored repeat patterns that look almost like wallpaper. Americana and country patterns are some of our most popular," spokeswoman Diane Wall tells MILITARY MARKET.

In terms of Christmas partyware, Wall says traditional patterns and colors are still preferred by its customers. Red and green are the colors most often purchased. Neither have the traditional symbols, such as Santa Claus, angels and snowmen, fallen out of fashion. "We just innovate the symbols with new designs," she says. Country has even found its way into holiday entertaining. Hickory Holly, a repeating pattern of tiny holly leaves "is so popular because it can be used early or late in the holiday season."

According to Hallmark, the shape of things to come in paper plates is scallop-edged or octagonal. "These give the hostess more flexibility. We're also offering more varied types of partyware, such as Oriental patterns, which are very elegant," Wall says.

For everyday use the direction is toward solid colors. Because they easily complement home decor, Wall says Williamsburg blue, dusty rose and Ming green are some of the fastest moving solids. Even video games are having an impact on the industry, as evidenced by Hallmark's new juvenile partyware.

American Greetings Corp. "is the largest supplier of greeting cards and allied products to the military," John Gorda, government sales manager, tells MILITARY MARKET. Holly Hobbie, Strawberry Shortcake and Ziggy are part of the company's stable of long-lasting characters. New this April will be the Care Bears.

It is still too soon to tell whether sales movement will be toward both the low and high ends, or whether the low-end generics and value brands will dominate the market. The only aspect of this industry on which experts agree is that, one way or the other, the vicissitudes of the economy will rule the shakeout. MM

COMMISSARY SALES OF PAPER, WRAPS AND BAGS

	DOMESTIC	OVERSEAS	WORLDWIDE
Lunch and sandwich bags			
Plastic	$1,984,000	$486,000	$2,470,000
Paper	1,268,000	311,000	1,579,000
All other size bags			
Plastic	11,894,000	2,915,000	14,809,000
Paper	286,000	70,000	356,000
Roasting bags and wraps	315,000	95,000	410,000
Plastic wrap	2,833,000	693,000	3,526,000
Wax paper	839,000	206,000	1,045,000
Freezer items	525,000	128,000	653,000
Facial tissue	12,159,000	2,993,000	15,152,000
Toilet tissue	26,333,000	6,453,000	32,786,000
Paper towels	21,402,000	5,244,000	26,646,000
Napkins	7,554,000	1,851,000	9,405,000
Paper table accessories	210,000	96,000	306,000
Paper plates and bowls	4,406,000	1,080,000	5,486,000
Cups, refills and plastic glasses	4,197,000	1,028,000	5,225,000
Aluminum foil	7,764,000	1,902,000	9,666,000
All other paper and wraps	943,000	157,000	1,100,000
Total	**$104,912,000**	**$25,708,000**	**$130,620,000**

SOURCE: Army Times Research Department. Data for CY 1981.

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COMMISSARIES

		NOVEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$136,247	$120,575	+13.00	$1,518,378	$1,423,915	+6.63
	OVERSEAS	27,129	24,848	+9.18	304,531	289,672	+5.13
	TOTAL	163,376	145,423	+12.35	1,822,909	1,713,587	+6.38
ARMY	CONUS	94,640	89,024	+6.31	1,105,104	1,046,184	+5.63
	OVERSEAS	26,832	27,976	-4.09	328,328	311,848	+5.28
	TOTAL	121,472	117,000	+3.82	1,433,432	1,358,032	+5.55
NAVY	CONUS	46,789	45,150	+3.63	559,298	534,934	+4.55
	OVERSEAS	5,544	5,469	+1.37	65,518	64,314	+1.87
	TOTAL	52,333	50,619	+3.39	624,816	599,248	+4.27
MARINES	CONUS	10,490	9,709	+8.04	119,455	114,255	+4.55
	OVERSEAS	176	149	+18.12	1,962	1,805	+8.70
	TOTAL	10,666	9,858	+8.20	121,417	116,060	+4.62
COAST GUARD	CONUS	216	210	+2.86	2,981	4,555	—*
	OVERSEAS	277	215	+28.84	2,154	2,304	-6.51
	TOTAL	493	425	+16.00	5,135	6,859	—*
ALL COMMISSARIES	CONUS	288,382	264,668	+8.96	3,305,216	3,123,843	+5.81
	OVERSEAS	59,958	58,657	+2.22	702,493	669,943	+4.86
	TOTAL	$348,340	$323,325	+7.74	$4,007,709	$3,793,786	+5.64
GROCERY STORES	U.S.[1]	$18.962 bil.	$18.093 bil.	+4.80	$209.493 bil.	$199.199 bil.	+5.17

EXCHANGES

		NOVEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AAFES	CONUS	$245,669	$229,651	+6.97	$2,417,986	$2,202,408	+9.79
	OVERSEAS	161,454	151,378	+6.66	1,639,418	1,495,947	+9.59
	TOTAL	407,123	381,029	+6.85	4,057,404	3,698,355	+9.71
NAVY	CONUS[2]	98,255	94,377	+4.11	934,718	927,634	+0.76
	OVERSEAS[2]	35,916	36,199	-0.78	377,592	344,588	+9.58
	TOTAL[2]	134,171	130,576	+2.75	1,312,310	1,272,222	+3.15
MARINES	CONUS	30,829	28,998	+6.31	305,594	283,835	+7.67
	OVERSEAS	4,674	4,086	+14.39	50,284	43,070	+16.75
	TOTAL	35,503	33,084	+7.31	355,878	326,905	+8.86
COAST GUARD	CONUS[3]	6,764	5,704	+18.58	65,892	63,986	+2.98
	OVERSEAS[3]	754	636	+18.55	7,346	7,136	+2.94
	TOTAL[3]	7,518	6,340	+18.58	73,238	71,122	+2.98
MAIL ORDER	CONUS[4]	2,016	1,025	+96.68	12,160	8,306	+46.40
	OVERSEAS[4]	4,882	3,316	+47.23	41,741	33,437	+24.83
	TOTAL[4]	6,898	4,341	+58.90	53,901	41,743	+29.13
ALL EXCHANGES	CONUS	383,533	359,755	+6.61	3,736,350	3,486,169	+7.18
	OVERSEAS	207,680	195,615	+6.17	2,116,381	1,924,178	+9.99
	TOTAL	$591,213	$555,370	+6.45	$5,852,731	$5,410,347	+8.18
DEPARTMENT STORES	U.S.[1]	$10.906 bil.	$10.273 bil.	+6.16	$91.427 bil.	$87.515 bil.	+4.47

1) SOURCE: U.S. Department of Commerce 2) Does not include sales of ships stores. **3) MM estimate, based on official data.**
4) Includes consolidated sales for all services, including Coast Guard

***Not comparable because of Sept.** 1, 1981, conversion of commissary at Petaluma to **NAF** status

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), **except for grocery stores and department stores, which are in billions.** Commissary sales include appropriate **surcharges, and exchange sales include concession volume.**

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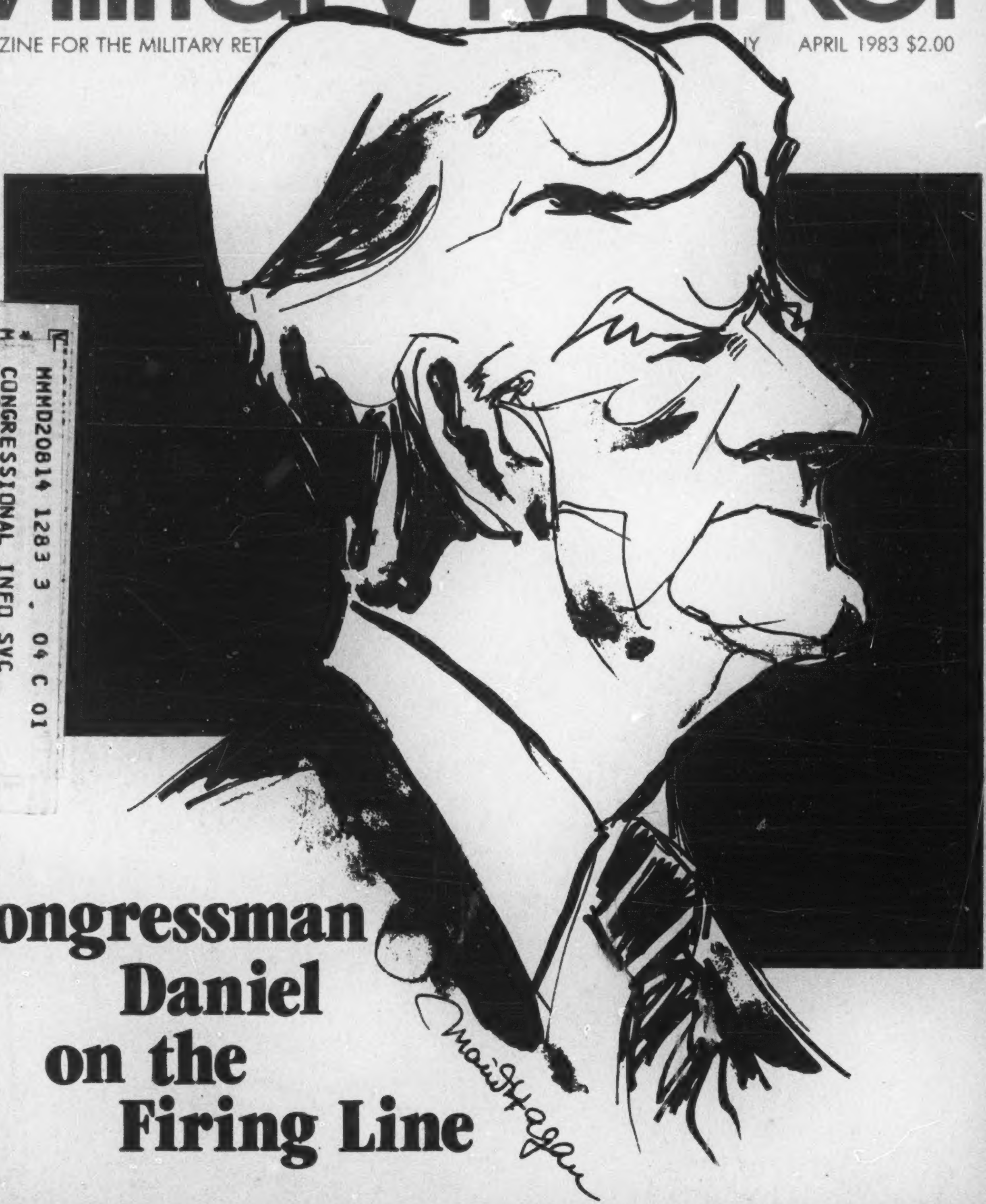

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Congressman Daniel on the Firing Line

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There's no crunch in this $5 billion-a-year industry.
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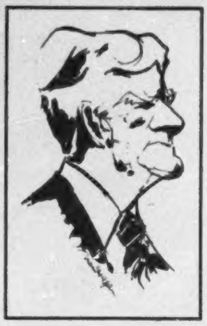

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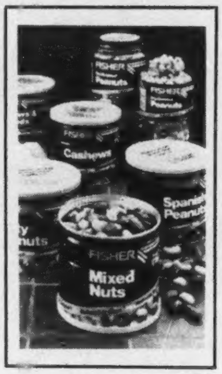

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Drawing by free-lance artist Maud Hagan, age 71; design by Garnett Sullivan.

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Americans Go for Spicier Foods

Growth in spice usage continues as Americans add more flavor to their food.

By DAVID B. COOLEY
Associate Editor

SPICES AND CONDIMENTS are experiencing consistent sales increases at a time when many other sales curves are flat.

"When times are hard, the spice business is good," says Thomas F. Burns, executive vice president of the American Spice Trade Association. "Even with high unemployment, people are spending money for nice or good things," such as spices, to add flavor to their food.

Imports of spices were greater in 1982 than in 1981 — and spice consumption in the United States reached more than a half billion pounds for the first time in 1981. Increasing spice consumption is a trend that has been ongoing for many years.

To Salt or Not to Salt

Salt (sodium chloride) is a mineral rather than a plant, so it is not properly considered a spice. It is usually discussed as a spice because many spice blends contain salt and that makes for many variations.

The sales of low-sodium and no-sodium "salts" of potassium chloride have steadily increased during recent years as increasing numbers of Americans have become aware of the potential health hazards of dietary sodium, Burns says.

Dr. Rudy Bernard, a sensory perceptionist at the Department of Physiology at Michigan State University, says, "Many people seem to have an appetite for salt, just as having a sweet tooth is an appetite for sugar. New research is attempting to illuminate the relationship between the need for salt and the taste for salt."

According to research done at **Hunt-Wesson Foods Inc.**, it is more important to reduce or eliminate the salt used in cooking rather than the salt that is added at the table. Toni Trinchese, director of consumer services at Hunt-Wesson says, "Salt added at the table sits on top of the food, so the salt hits your taste buds first and has a more pronounced flavor. When salt is added when cooking, it's mixed with other flavors and seasonings, so it's less obvious to the taste."

Hunt-Wesson recently introduced a line of no-salt-added tomato products, including tomato paste, sauce, ketchup and juice, whole peeled and stewed tomatoes and spaghetti sauce. Hunt-Wesson is promoting a nine-week plan for gradually eliminating the salt in home cooking, so that it is not readily detected by the taste buds. In the course of this plan to kick the salt habit, salt is replaced by spices, herbs, and other low-sodium ingredients, including tomatoes and tomato products, lemon and other citrus peels, vinegar and wine to maintain and enhance flavors.

McCormick & Co. Inc., the dominant spice producer in the United States, is continually developing spice blends for increasing the palatability of food for people on sodium-restricted diets, according to a company spokesman.

Foreign Foods Become Domestic

Many foods Americans regularly eat used to be thought of as different or special. "Italian food is no longer considered ethnic — it's as American as turkey," Burns says. He adds that American opinion is much the same when considering Mexican or Oriental foods. They have all been Americanized and expected in the American diet.

Burns tells MILITARY MARKET that in a recent Gallup poll teenagers were asked to express their food preferences. Pizza, with its oregano and basil, was named by 40 percent of them as their favorite food. Steak was chosen as the favorite by 19 percent. Hamburger drew only 10 percent of the first-place votes, and the former front-running all-American food — hot dogs — fell further down the list.

Even dishes that are very much American are taking on a spicier

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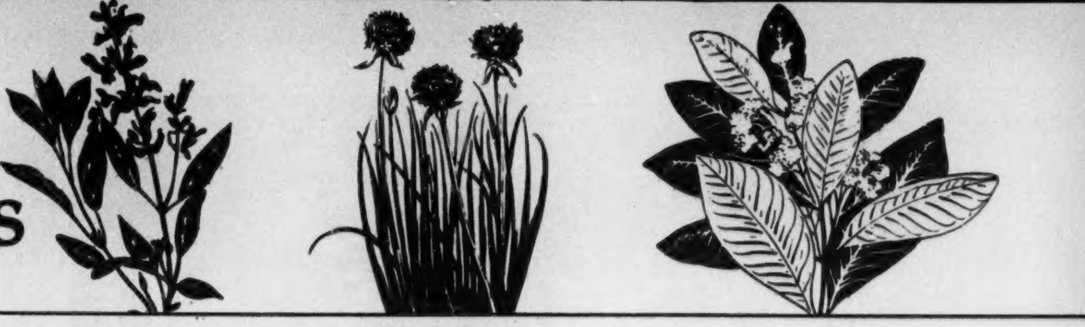
Spices



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twist. "How many things can you do with hamburger or chicken?" asks Burns. "Variations in the preparation of these American staples require the use of spices and condiments to make them more appetizing and appealing."

He says not only are dried and packaged spices in everyday use by Americans, but products such as fresh ginger (which formerly was available only in Oriental food shops) are now available in supermarkets everywhere.

"There's an explosion of activity and interest in Mexican food — taco shells, taco kits and sauces," says Frank Mcguinn, national sales manager for retail and military food sales at **Heublein Inc.** "Mexican foods are becoming mainstream in the American diet, with the possible exception of the Northeast." He says there will be TV promotions, VPRs, coupons and deep allowances from time to time to encourage consumer purchasing.

Kaz Takei, vice president for military sales at **Kikkoman Foods Inc.**, tells MILITARY MARKET, "It was difficult last year [in 1982], but interest in Oriental food products is up. That can be seen in the growth in Oriental restaurants and sushi bars. They have created an awareness for our products."

Kikkoman is actively seeking the commissary customers, who Takei says are well-traveled outside the United States and more adventuresome in their eating habits. As a result, Kikkoman sales to the military resale systems continue to increase. "In fact," says Takei, "our sales percentage to commissaries is greater than other companies [with similar products]."

Kikkoman's soy sauce — "shoyu" in the original Japanese — has been available for 350 years. Takei says the company has recently responded to wide interest in lowering dietary sodium intake with a milder soy sauce that has one-half the sodium of regular soy sauce. The taste is not really milder, but tastes sweeter because of the lower salt content — and he emphasizes that nothing else is added. "Now the consumer has a choice of regular or milder," he says.

SPECIAL PACKAGING

THE PACKAGE or container for spices is of necessity a specialty package. For many spice products, the package must have a combination sifter and dredge opening for the convenience of the user. The sifter function is used to sprinkle a small amount of seasoning on food at the table. The dredge opening allows the entry of a spoon for quantity use during food preparation. The package must also be as resealable (airtight) as possible so that the flavor is protected from air and moisture. Making a suitable container is expensive. In some cases, the cost of manufacturing the container is more than the cost of the product inside.

To increase sales, and to make spices more economical, the manufacturers of pure and blended spices are putting the faster-moving items in larger packages. A "larger package" for most spices usually means in the four- to eight-ounce range. Any larger than that, and the single package price becomes undesirably high and the flavor may become stale before it can be used. Ground oregano, for instance, is very light and a small quantity is sufficient for a rich flavor. Marshall Neale, a spokesman for the American Spice Trade Association, tells MILITARY MARKET, "Four ounces would be a lot of oregano."

Notwithstanding, McCormick & Co. and **Durkee Famous Foods** are packaging some of their best-selling spices in even larger polystyrene containers. The expectation is that the economy of size will attract commercial purchasers and others who routinely use larger quantities — those who would run out too often with the standard consumer sizes. — **D.B.C.**

Kikkoman, like other oriental food seasoning producers, is promoting soy and teriyaki sauces as seasonings for other than Oriental foods. "In Japan," he says, "teriyaki sauce is used for fish only, but the Americans use it for barbecue, chicken, fish, steak, crab and other dishes."

The company has produced recipe materials encouraging customers to use both sauces for various types of entrees. In addition, Kikkoman has found that many consumers like to experiment with teriyaki and soy sauce on their own. As examples, he says he knows of people using the milder teriyaki sauce and lemon with crab, and soy sauce and mayonnaise with artichokes.

Charlene Kirchheimer, public relations specialist for **LaChoy**, tells MILITARY MARKET Oriental foods are continuing to rise in popularity.

During 1983 the **R.T. French Co.** will be installing merchandise headers over its spice and extract displays containing recipes that call for its products. Jerry Stremick, sales coordinator at French, says getting customers to buy more spices is an educational process. "People tend to use the same spices their parents used unless they learn otherwise. Some spices may be too exotic for them to try."

French's headers will contain recipes with uses for whole cloves and food coloring at Easter, cookout spices in the spring and summer, pickling spices during the canning season and poultry seasoning, sage and cinnamon at Thanksgiving and Christmas. French also has two booklets available by mail — one contains recipes and the other is a how-to book on canning.

COMMISSARY SALES OF SPICES AND CONDIMENTS

	DOMESTIC	OVERSEAS	WORLDWIDE
Spaghetti sauce mix/seasonings	$617,400	$136,200	$753,600
Chili mix/seasonings	545,000	120,200	665,200
Gravy mix	1,277,300	281,900	1,559,200
Other dry mixes/seasoning	1,818,100	401,100	2,219,200
Mustard	2,163,800	477,400	2,641,200
Ketchup	8,376,000	1,848,000	10,224,000
Spaghetti sauce	8,725,000	1,925,000	10,650,000
Meat sauce	4,606,800	1,016,400	5,623,200
Prepared gravy and gravy flavoring	1,430,900	315,700	1,746,600
All other sauces	5,339,700	1,178,100	6,517,800
Extracts and food coloring	1,989,500	448,500	2,438,000
Pepper	2,335,500	526,500	2,862,000
Whole and ground spices	2,698,800	608,400	3,307,200
Leaf spices and herbs	1,176,400	265,200	1,441,600
Vegetable seasoning	2,871,800	647,400	3,519,200
Table and other salt	1,660,800	374,400	2,035,200
Other seasonings and flavors	4,567,200	1,029,600	5,596,800
Pickles	6,880,800	1,500,600	8,381,400
Pickle specialties and relishes	3,196,000	697,000	3,893,000
Olives	6,410,800	1,398,100	7,808,900
Total	**$68,687,600**	**$15,195,700**	**$83,883,300**

SOURCE: Army Times Research Department. Data for CY 1981.

Pickles — Impulse Sales

Jerry Shupak, MSM at **Vlasic Foods Inc.**, says, "Pickles are holding their own in today's economy, but there are no assurances that the category has grown." He tells MILITARY MARKET 30 of the 150 Vlasic line items account for approximately 80 percent of the company's gross dollar sales. And of those top 30, approximately five varieties in several sizes account for a third of all sales. Kosher spears, dills, and baby dills, butter chips and sweet pickles are among the most popular flavors nationwide — some regional differences can be expected.

He says customers buy one-third of all pickles on impulse — and the commissary shopper is just as much an impulse shopper as those in the civilian sector. The manager (civilian or military) who recognizes that fact will rotate his merchandise to put pickles in off-shelf displays to capture the impulse dollar. "The secret to that success," Shupak says, "is to keep the best sellers up front where the shopper will see them."

Although total unit sales in pickles are about the same as they were some five years ago, there has been change in the product mix. The refrigerated (perishable) pickles have grown from about two percent of Vlasic's business to roughly 15 percent. The bulk of the nonperishable pickle business is composed of the same five to 10 line items now as it was 10 years ago, even though sales for the nonperishables decreased from 98 percent to 85 percent of the total market.

The average commissary carries between 35 and 50 line items of pickles. Most large civilian supermarkets carry more, Shupak says. As important as promotions have become to the commissary customer, coupons from Vlasic have never been labeled "military only." Shupak believes all shoppers should have the choice to use the coupons in civilian or military stores. He quickly added, however, that most military shoppers will take advantage of the price breaks buying at the commissary allows.

Claussen Pickles Co., a division of **Oscar Mayer & Co.** takes pride in being the largest manufacturer of refrigerated pickles. "We dominate the market in refrigerated pickles." says Henry Mueller, general manager of military sales at Claussen.

By definition, these pickles must be kept refrigerated even though their packaging looks the same. What is the difference? The refrigerated pickles are not pasteurized or cooked — and that gives them a fresher, crisper texture many consumers desire, according to Mueller. "They look first for the crispness, then the flavor. It's the only segment of the pickle market that has grown in the last five years," he says.

Growth Contines

With steadily increasing spice imports and spice consumption in the United States, it should be no surprise that Americans use more spices and seasonings than anyone else in the world. The annual per capita food consumption in the United States is 1440 pounds. The annual per capita spice consumption is 32 ounces, which includes the blends of spices with salt. Even though the average sale of most spices is measured in ounces — or in some cases, just a fraction of an ounce — the overall spice market is measured in tonnage. "A one-ounce annual increase in per capita spice use would increase annual U.S. spice consumption by 6000 tons of merchandise," Burns says.

Allowing for some regional variations, ASTA reports the highest volume spices are black pepper, dried onion and garlic products (with and without salt), cinnamon, chili powder, mustard, parsley flakes, paprika, oregano, celery seed and salt, cloves, nutmeg, red pepper products and barbecue spices (in that order). In addition to the barbecue spices, numerous blends of spices have become popular, such as poultry seasoning, Italian seasoning, pumpkin pie spice and pickling spice.

ASTA reports some of the leading gainers from 1971-1981 were: basil, up 460 percent; fennel seed, up 150 percent; anise and allspice, each up about 110 percent; cumin, up 102 percent; sesame seed, up 84 percent; and oregano, up 75 percent.

MM

Snack foods top $5 billion

Forward, Munch!

Despite a recessionary crunch, snack food sales continue to show the crisp growth that has been the hallmark of the category for the last decade.

By DAVID B. COOLEY
Associate Editor

MANY MARKETERS voiced open concern that 1981 might be the year in which snack foods would reverse the trend of doing well in a recessionary period. However, snack foods came through in good health, recording overall industry growth of 16 percent in dollar sales and a unit increase of 6.2 percent, according to Joe Morris, editor of *Chipper/Snacker*, a publication of the Potato Chip/Snack Foods Association. The 16 percent increase is on top of a 19 percent increase recorded in 1980. The 1980 total of salted snacks sales was $4.5 billion. Total sales for 1981 were $5.255 billion.

Predictions for industry performance continue to be optimistic. However, Morris tells MILITARY MARKET that actual sales for 1982 may have fallen somewhat behind predictions. These figures will not be available until mid-1983. (See chart on page 55 for original predictions.)

In a study underwritten by E.I. du Pont de Nemours & Co., the research firm of McKinsey & Co. reported the following concerning snack sales in 1978: "Snack consumption is elastic . . . unlike paper products, soaps, cosmetics, light bulbs and many other items with a relatively stable usage rate, snack consumption is based on availablility. They are eaten soon after purchase and your customer is back in the store buying more snacks." Morris says the statement is as true today as when it was first published. He added that in a market in which 80 percent of the purchases are on impulse, merchandising techniques have great importance. "The package is very important," he says.

Chipper/Snacker also reports that supermarkets (chains and independents) are the dominant outlets for snack foods, having increased their share slightly from 58.6 percent of dollar sales in 1980 to 61.4 percent 1981. Convenience stores account for another 9.4 percent, leaving all other outlets with less than 30 percent.

The PCSFA survey revealed that the largest percentage of snack food dollar sales (27.2 percent) is in the 8- to 11-ounce sizes, followed closely by sales in the 1-2 ounce, 12-15 ounce, 16 ounce, and 5-7 ounce sizes, each of which accounts for more than 12 percent of the total. Though the 1-2 ounce size accounts for a little more than 12 percent of sales dollars, it accounts for some 19 percent of unit sales.

Despite the overall good market performance, snack food industry leaders say the industry is under extreme pressure to find ways to insure its continued success in the face of three problems:

- the sluggish economy, with its accompanying high interest rates, high unemployment and possible lack of demand for snacks;
- nationwide concern about dietary sodium intake and the sodium levels of most snack foods, including governmental demands for sodium and nutritional labeling;
- difficulties revolving around strategies to ensure freshness.

At February's Snaxpo (the Potato Chip/Snack Food Association's 1983 convention in Washington, D.C.), John Gibbons, of Griffith Laboratories, a seasonings manufacturer, said, "It's a fallacy about snack food. The quantity of salt on chips is comparable to most food items. It's just that it's on the whole surface [of snack foods] instead of inside the food."

Strategies suggested at the convention varied as to how to keep customers coming back for more snack food items. While one company, **Adams International,** was stressing new snack food shapes as the way to keep customer interest, other industry experts felt that nacho cheese and tortilla chips are still hot selling items. "We're still peaking with Mexican flavorings," Gibbons said.

According to the PCSFA survey of manufacturers, approximately 25 percent of all potato and corn chips are flavored — an increase of about 10 percent from 1980. The most popular flavor is barbecue. Every chip manufacturer responding to the survey makes a barbecue-flavored chip, and 80 percent say it is their best-selling flavored chip. Other flavors mentioned by the manufacturers were salt and vinegar, crab seasoning, green onion, red-hot mix, sour cream, nacho cheese, cheddar cheese and onion with garlic.

FISHER'S reduced sodium (LEFT) and unsalted (RIGHT) lines of snacking nuts are appealing to an expanding segment of the market.

Frito-Lay Inc., the undisputed leader in snack foods in the United States, maintains a positive posture in decrying the junk food image that has plagued the industry for so long. The company is stressing the nutritional aspect of its products. "Our products are part of good nutrition," says John Patrick, MSM.

As is most everyone in the industry, Patrick is defensive about the salt used on Frito-Lay foods. "It's the salt on the outside that you taste first," he says.

Frito-Lay has published figures showing that one ounce of Lay's potato chips has less sodium than ½ cup of cottage cheese, two slices of bread or an 8-ounce glass of tomato juice. And the company claims an even lower salt content in its corn chips, Doritos and Tostitos.

To keep the commissary customer interested in buying its snack foods, Frito-Lay will continue its Total Snack Food Program for domestic commissaries. The basic concept of the program is for each commissary to allocate space for snack foods based on total store dollar volume.

Couponing in newspapers and magazines will be continued. And as part of an ongoing program to educate the public on the nutritional aspects of corn chips, tortilla chips and potato chips, Frito-Lay is including the nutritional information on each package of its products.

New products at Frito-Lay include Frito Lights and Crispy Lights, both of which hold considerable promise, according to Patrick. It is also test-marketing Ta-Tos, an extra crispy, ridged potato chip, which "We believe has enormous potential." He says the Ta-Tos are made of 100 percent real potato with a substantial part of the water removed by a company process.

Patrick says Frito-Lay has had an average 17 percent gain in dollar sales per year for the last 10 years. "We've multiplied our sales five times and our profit ten times. Doritos is Frito-Lay's best selling product."

Nuts - Low Sodium and Unsalted

Nuts are a high impulse item, with 57 percent of nut purchases being totally unplanned by the purchaser, according to a Point of Purchase Advertising Institute/DuPont buying-habits study reported in *Chain Store Age — Supermarkets*. The merchandising efforts can thus be expected to influence the shopper to a great extent, the report said.

The **Fisher Nut Co.** has recently

(Continued on page 56)

SNACK UNIT SALES IN SELECTED CHANNELS

Supermarket chains	41.7%
Independent supermarkets	19.7%
Restaurants/bars	11.1%
Convenience stores	9.4%
Vending machines	3.8%
Schools	3.2%
Drug stores	2.5%
Discount stores	1.1%
Other	7.5%
Total	**100.0%**

SOURCE: *Chipper/Snacker* magazine. Data for CY 1981.

COMMISSARY SALES OF SNACK FOODS

	WORLDWIDE	DOMESTIC	OVERSEAS
NUTS			
Peanuts	$5,200,000	$4,300,000	$900,000
Walnuts	4,400,000	3,700,000	700,000
Mixed nuts	3,300,000	2,800,000	500,000
Pecans	2,600,000	2,100,000	500,000
Cashews	1,900,000	1,600,000	300,000
Almonds	1,200,000	900,000	300,000
All others	2,400,000	2,100,000	300,000
Total	**$21,000,000**	**$17,500,000**	**$3,500,000**
SALTED SNACKS			
Potato chips, corn-tortilla chips, pretzels	$35,700,000	$29,400,000	$6,300,000
Other snacks	3,300,000	2,700,000	600,000
Total	**$39,000,000**	**$32,100,000**	**$6,900,000**

SOURCE: Army Times Research Department. Data for CY 1981.

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Forward, Munch!

(Continued from page 55)

expanded its line of reduced sodium nuts to include Spanish peanuts, cashews, mixed nuts with peanuts, dry roasted peanuts, party peanuts and cashew and almond mix. Kathleen Ellis, marketing administrator at Fisher, says the latter is a combination of the two most popular tree nut varieties. The reduced-sodium items contain half the usual amount of added salt.

Ellis says, "To date, sales of Fisher's reduced sodium nuts are ahead of expectations." And she emphasized that it is almost all new business. "There has been no cannibalizing of the sales of the regular salted or the no-salt-added nuts. People don't want to give up the sodium, so we've hit the middle ground." She adds that since the low sodium line is new this year, there is no basis for comparing it with last year.

Orlin Vandeventer, MSM at Fisher tells MILITARY MARKET, "We're always going to have clientele looking for salted nuts, but the reduced-sodium and unsalted varieties are selling well. We're on the right track." He says customers of all ages are buying the reduced-sodium nuts.

Planters Peanuts Public Relations Specialist Caroline Fee says, "The trend toward unsalted snacks is an increasing field because people are becoming more health conscious. Dry-roasted and unsalted nuts are becoming a more viable subsegment of the nut market." She says Planters is currently marketing dry-roasted mixed nuts and peanuts and oil-roasted cocktail peanuts that are all unsalted.

Fee says cashews have returned to popularity since the price for them has stabilized and lowered. "There is a definite interest in holiday-type packs, such as the Planters' limited edition jars and canisters," she says. "The canister snacks [corn chips pretzels and corn balls] are enjoying increased popularity."

Popcorn - New Flavors

Bill Blodgett, public relations director at **Hunt-Wesson Foods Inc.** tells MILITARY MARKET that popcorn is still an American favorite, and that most of the popcorn consumed is in the home. He says sales of Hunt-Wesson's Orville Redenbacher popcorn and oils to the military customer have outpaced company sales in the civilian market. "Military families tend to do a lot of entertaining in the home, especially when they are in remote areas overseas, and serving popcorn on these occasions is a natural."

He says Agriculturist Orville Redenbacher developed the hybrid popping corn through years of experimentation. "Because it is a hybrid, there are fewer bushels per acre, making it more expensive," says Blodgett.

To improve the taste even more, Hunt-Wesson is packaging the popcorn in vacuum-sealed jars. "The vacuum packing virtually eliminates the air in the jar; therefore, mold can't grow in the oxygen-free environment," he says. "It is also positive proof that the popcorn is fresh and the jar is tamper-evident."

Fred Holden, brand manager of TV Time popcorn at **McCormick Foods** tells MILITARY MARKET McCormick is excited about its line extension in TV Time popcorn — Pop 'N Top. The additions are four cheese products that allow the customer to pop and make cheese-flavored popcorn at home. The method is simple. The package contains, popcorn, salt, oil flavoring and a package of dry cheese mix, which is dissolved in warm water and poured over the popcorn. "It's all in one box," Holden says.

Holden tells MILITARY MARKET McCormick has been doing extensive testing with salt substitutes and is trying to develop a low-sodium seasoning. He says the problem with most of the other compounds is that "You get the full impact of the metallic flavor of potassium or magnesium when using the traditional salt substitutes. We're watching it very carefully [to find a suitable substitute]."

To assist the commissary purchaser, McCormick plans to continue the use of periodic VPR's. They will apply to all McCormick products, including TV Time popcorn.

Holden says the inviting aroma of freshly popped popcorn tends to invite other members of the household to join in. "You can't sneak popcorn," he says.

MM

TV time
POP'N TOP
Popping Corn & Parmesan Cheese
Popping Corn & Cheese Topping
Popping Corn & Sour Cream Onion
Popping Corn & Nacho Cheese Topping

POP 'N TOP popping corn from TV Time Foods Inc. offers cheese popcorn lovers four different flavors to make at home. *(Photo by Kate Patterson)*

Military Market INDEX

COMMISSARIES

		DECEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$161,319	$145,126	+11.16	$1,679,697	$1,573,041	+6.78
	OVERSEAS	33,171	30,845	+7.54	337,701	320,518	+5.36
	TOTAL	194,490	175,971	+10.52	2,017,398	1,893,559	+6.54
ARMY	CONUS	100,776	109,408	-7.89	1,205,880	1,115,592	+4.35
	OVERSEAS	31,408	34,112	-7.93	359,736	345,960	+3.98
	TOTAL	132,184	143,520	-7.90	1,565,616	1,501,552	+4.27
NAVY	CONUS	63,285	56,668	+11.68	622,583	591,602	+5.24
	OVERSEAS	7,321	7,147	+2.43	72,840	71,462	+1.93
	TOTAL	70,606	63,815	+10.64	695,423	663,064	+4.88
MARINES	CONUS	12,709	12,137	+4.71	132,164	126,391	+4.57
	OVERSEAS	236	213	+10.80	2,198	2,019	+8.87
	TOTAL	12,945	12,350	+4.82	134,362	128,410	+4.64
OAST GUARD	CONUS	252	332	-24.10	3,233	4,886	—*
	OVERSEAS	246	209	+17.70	2,400	2,513	-4.50
	TOTAL	498	541	-7.95	5,633	7,399	—*
ALL OMMISSARIES	CONUS	338,341	323,671	+4.53	3,643,557	3,451,512	+5.56
	OVERSEAS	72,382	72,526	-0.20	774,875	742,472	+4.36
	TOTAL	$410,723	$396,197	3.67	$4,418,432	$4,193,984	+5.35
GROCERY STORES	U.S.	$21.447 bil.	$20.125 bil.	+6.57	$230.914 bil.	$219.324 bil.	+5.28

EXCHANGES

		DECEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AAFES	CONUS	$307,986	$292,164	+5.42	$2,725,972	$2,494,572	+9.28
	OVERSEAS	187,226	173,005	+8.22	1,826,644	1,668,952	+9.45
	TOTAL	495,212	465,169	+6.46	4,552,616	4,163,524	+9.35
NAVY	CONUS	115,371	125,421	-8.01	1,050,090	1,053,056	-0.28
	OVERSEAS	44,265	46,139	-4.06	421,857	390,727	+7.97
	TOTAL	159,636	171,560	-6.95	1,471,947	1,443,783	+1.95
MARINES	CONUS	34,986	35,250	-0.75	340,580	319,085	+6.74
	OVERSEAS	5,900	5,259	+12.19	56,184	48,329	+16.25
	TOTAL	40,886	40,509	+0.93	396,764	367,414	+7.99
OAST GUARD	CONUS	8,409	6,776	+24.10	74,302	70,762	+5.00
	OVERSEAS	938	755	+24.24	8,283	7,891	+4.97
	TOTAL	9,347	7,531	+24.11	82,585	78,653	+5.00
MAIL ORDER	CONUS	1,983	972	+104.01	14,143	9,278	+52.44
	OVERSEAS	5,282	4,136	+27.71	47,023	37,572	+25.15
	TOTAL	7,265	5,108	+42.23	61,166	46,850	+30.56
ALL EXCHANGES	CONUS	468,735	460,583	+1.77	4,205,087	3,946,753	+6.55
	OVERSEAS	243,611	229,294	+6.24	2,359,991	2,153,471	+9.59
	TOTAL	$712,346	$689,877	+3.26	$6,565,078	$6,100,224	+7.62
DEPARTMENT STORES	U.S.	$17.349 bil.	$16.094 bil.	+7.80	$108.752 bil.	$103.609 bil.	+4.96

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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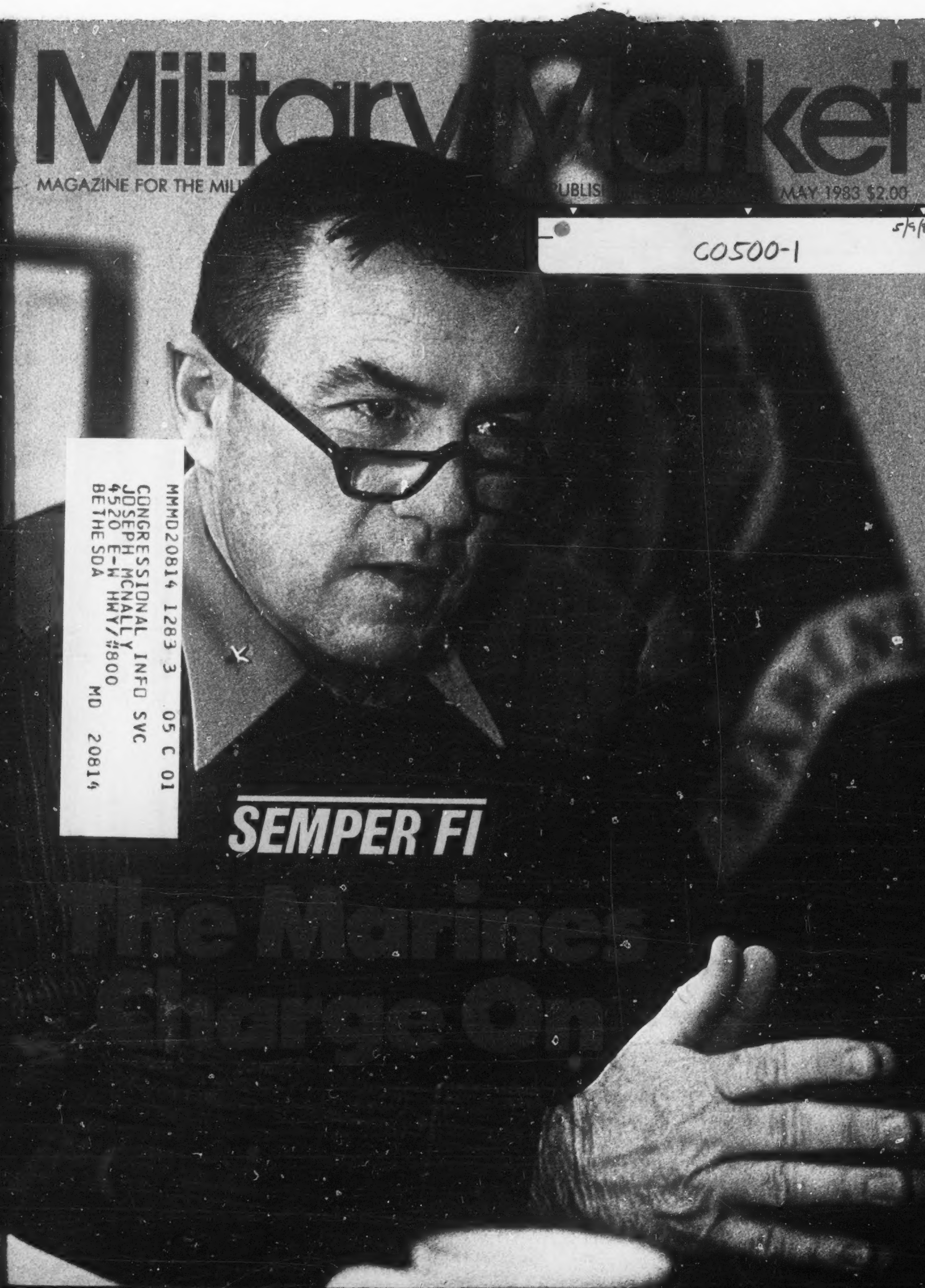

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The Marines Charge On

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The Ups and Downs of the Beer and Soft Drinks Market

Light beers lead the brews in sales gains; sugarless and caffeine-free soft drinks are showing the greatest gain in a market that has been growing for decades.

By DAVID B. COOLEY
Associate Editor

"**IT'S NO SECRET** that beer sales have been declining," says Henry B. King, president of the U.S. Brewers Association Inc. "However, the light beer segment has been growing."

He tells MILITARY MARKET that premium beer is still the overwhelming American favorite, but beer sales nationwide have been flat or even declining. Several brewers are countering these declining sales by taking aim at increasing their market shares in the South and Southeast where manufacturing is on the rise, the population is increasing and brewers see the greatest potential for expansion, he says.

Overall, King contends, the American taste is for a lighter, lager beer, rather than the porter or stout brews.

Also, the relatively recent phenomenon of Americans counting their caloric intake has resulted in a steady rise in popularity of the light beers, which "now account for approximately 10 percent of all beer drinking," he says. Also growing is the superpremium beer category — eight percent of the total and up from one percent in 1970 — according to Joe Finnegan, spokesman for **Anheuser-Busch.** He also tells MILITARY MARKET that A-B's Michelob brand is preferred by more than 80 percent of those drinking superpremium beer.

King says beer pricing is divided into superpremium, premium, popular-priced and light categories. Most popular-priced beers are priced from five percent to 40 percent lower than the premium brands, depending on the locality.

Meister Bräu
Meister Bräu

MEISTER BRAU, a popular-priced beer introduced by Miller in February, will be rolled out nationally in the next few months.

"Two things make up a beer's quality — the ingredients and the brewing method," says Andrew J. Steinhubl, A-B vice president for brewing.

Legal restrictions on couponing for alcoholic beverages have been eased in a number of states. As a result, breweries are jumping on the couponing bandwagon. Some of the companies are even using mail-in coupons where POP coupon redemption is still not allowed for alcoholic beverages.

"The tactic [couponing] is fast becoming a major weapon in the guerrilla warfare the smaller brewers are waging against the duopoly of A-B and **Miller Brewing Co.**," said *Advertising Age.* "It also indicates the second-tier brewers are employing new means to thrash it out among themselves as they enter new territories."

A-B and Miller have been slugging it out between themselves with advertising campaigns. And the losers are the regional brewers. Still, the impact of some of the smaller breweries is causing concern at the large companies because they are all fighting for a share in a declining market.

"It's been awesome," says A-B's president, Dennis P. Long. "For years — into the mid-1970s — we really didn't have to market it [Budweiser] by today's standards. It's a far more competitive and sophisticated situation today."

Indisputably, Anheuser-Busch is the world's largest brewery, and its flagship brand, Budweiser, is the world's largest selling brand. A-B has been making Budweiser for more than 100 years — and 1982 was a banner year as the company produced 59.1 million barrels of brew, "an 8.5 percent increase over 1981 in a year that was practically flat for the rest of the industry," says Finnegan. The company attributes this success to "a dedication to brew only the finest beers naturally — using only premium ingredients and a time-honored brewing process."

"In the military market, Bud is preferred almost 2-to-1 over our nearest competitor," Finnegan says. A-B has been the world's largest brewer for 26 consecutive years.

The national rollout of Budweiser Light is considered by many observers as the most important new product in the market in 1982, says *Advertising Age.* "By the end of 1982, Budweiser Light was in second place in the light category — a remarkable feat for such a late entry. It had sales [volume] where Miller Lite was after three years," Finnegan says. And he adds with a chuckle, "We even

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learned how to spell Light correctly."

Budweiser Light has achieved higher unit sales than Natural Light or Michelob Light, A-B's other light beers. A-B has increased is share of the light market from 17 percent to 27 percent with the introduction of Budweiser Light. "It's a viable contender for Miller Lite," says Finnegan.

P. Ward Brash, brand public relations representative at Miller, tells MILITARY MARKET that the company introduced Meister Brau beer in selected cities in mid-February. The first cities chosen as test marketing areas were Greensboro, N.C., Birmingham, Ala., and Jacksonville, Fla. In mid-March, Minneapolis became the fourth test city. Brash says Meister Brau will join Miller's family of beers — Miller High Life, Lite, Lowenbrau and Magnum.

Lauren Williams, executive vice president at Miller, says, "Market research indicates that many consumers are seeking the optimum balance of price and taste. We're confident they are going to choose Meister Brau for those reasons."

Miller, the second-largest beer producer in the United States, is promoting Meister Brau as a popular-priced brew. The name is not new to the beer-drinking consumer. Until 1972 Meister Brau was made by the now defunct Peter Hand Brewery Co. of Chicago.

Miller bought the Meister Brau brand from Peter Hand, and as part of the deal, it also bought Meister Brau Lite. Peter Hand had not been successful with Meister Brau Lite, and Miller saw an opportunity to expand its line by developing a new market for a light beer with fewer calories. This was the beginning of Miller Lite.

Miller Lite, or just Lite, as the company prefers to call it, took off in 1975, and now has a 57 percent share of the light beer market, says Brash. *Advertising Age* says the market share for Lite is as much as 60 percent.

Miller reformulated the Meister Brau brew that Peter Hand had used, redesigned the package and began marketing it under the Miller banner in February. "It is still too early to determine results from the test marketing," says Brash. "However, the brand is doing fine and will be going into more test cities next month."

Information recently published in *Beer Marketer's Insights*, an industry newsletter, indicates Miller's 22.5 per cent share of the beer market in 1981 had eroded to a 21.9 percent share in 1982. *Insights* said most of the lost ground was attributable to slower sales in Miller's flagship premium brand, Miller High Life. It was down 10 percent from 1981.

There are some indications that Miller wholesalers are unhappy with the company for not recognizing the need for producing a popular-priced beer before the introduction of Meister Brau. Industry analysts have anticipated Meister Brau's market entry for nearly two years and they expect it to fill the brewer's excess brewing capacity. They say popular-priced beers are traditionally used for that purpose.

"If Meister Brau rolls out, it would fill these needs," said *Advertising Age*. This [popular-priced Meister Brau] allows the distributors to make deals with their retailers without damaging the price positioning of the higher priced premium and superpremium brands.

With existing plants, Miller is capable of producing nearly 50 million barrels annually (31 gallons per barrel), but produced only 39 million barrels in 1982, according to Brash. Miller obviously is anticipating an increase in its

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ON-BASE MILITARY BEER SALES — 1978-1981

	Domestic	Overseas	Worldwide
1978			
Clubs and package stores	$85,000,000	$38,000,000	$122,000,000
Exchanges	95,000,000	40,000,000	135,000,000
Total	**$180,000,000**	**$78,000,000**	**$258,000,000**
Military strength	1,600,400	493,500	2,093,900
Per capita sales	$113	$157	$123
1979			
Clubs and package stores	$90,000,000	$39,000,000	$129,000,000
Exchanges	102,000,000	47,000,000	149,000,000
Total	**$192,000,000**	**$86,000,000**	**$278,000,000**
Military strength	1,585,654	480,845	2,066,499
Per capita sales	$121	$179	$135
1980			
Clubs and package stores	$92,000,000	$51,000,000	$143,000,000
Exchanges	117,000,000	53,000,000	170,000,000
Total sales	**$209,000,000**	**$104,000,000**	**$313,000,000**
Military strength	1,586,691	502,135	2,088,826
Per capita sales	$131	$207	$150
1981			
Clubs and package stores	$100,000,000	$56,000,000	$156,000,000
Exchanges	125,000,000	61,000,000	186,000,000
Total sales	**$225,000,000**	**$117,000,000**	**$342,000,000**
Military strength	**1,607,898**	**514,759**	**2,122,657**
Per capita sales	**$140**	**$227**	**$161**

SOURCE: Army Times Research Department.

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production. She adds: "Miller is opening a new brewery in Trenton, Ohio, in 1983.

Adolph Coors Co. is promoting George Killian's Irish Red Ale. Eric Riggle, of corporate communications, says the company has promotions geared to the military market in 1983. Industry analysts say Coors is getting ready to launch a new, full-bodied beer, Golden Lager 1873. The date refers to the founding of Adolph Coors Co. in Golden, Colo., in that year.

"**Pabst Brewing Co.'s** Pabst Blue Ribbon is holding its own in a very competitive market. Jacob Best Premium Light and Old English 800 Malt Liquor are expanding," Marshall B. Sutton, domestic MSM at Pabst, says. "Pabst Extra Light is enjoying a unique sales profile as one of the lowest calorie beers on the market — only 70 calories per 12-ounce can," he says.

Recently merged with Pabst, the **Olympia Brewing Co.** has a mixed report on sales for 1982. Don Lee, of the public relations office, says, "Hamms [an Olympia brand] is really growing, but the overall beer market is declining. He adds that Americans prefer a lighter lager beer like Hamms, but that Olympia brews some darker beers as well.

Olympia Dark, for instance, is available only in draught, and he adds that "it doesn't have the volume [to be a top seller]" It's only distributed on a local basis, he says. Speaking of darker beers in general, he says, "They may buy a six-pack or two, but not on a regular basis."

The imported beers market in 1982 was 5.7 million barrels — 10.9 percent more than was imported in 1981, according to figures published by the U.S. Brewers Association Inc. The asociation does not track figures by specific brands, only by nation of origin. The major beer exporting countries to the United States in 1982 were: the Netherlands (mostly Heineken), 2.33 million barrels, a 10.7 percent increase over 1981; Canada, 1.78 million barrels, a 6.3 percent increase over 1981; and West Germany, 760,000 barrels, a 28.7 percent increase over 1981.

Sugar- and Caffeine-Free

New soft drink products are on the move — and most of the new entries are sugar-free, caffeine-free, or both.

Soft drink industry analyst Emanuel Goldman, of Sanford C. Bernstein & Co., says soft drink volume will increase 2.5 percent to three percent in 1983. He expects the diet drink segment to show the greatest activity, with growth in the segment at 11 percent to 12 percent for the next few years. By the end of 1986, Goldman expects diet drinks will make up 20 percent of the market. According to the National Soft Drink Association, they account for about 15 percent now.

Goldman also believes the low-caffeine segment will become more visible as more companies roll out new entries. He thinks **Coca-Cola U.S.A.**, the only major company without a caffeine-free product, must put one on the market soon to remain competitive.

DIET COKE WAS INTRODUCED in August 1982 and is now available in 90 percent of the country.

About $20 billion of soft drinks were sold at wholesale in 1981, says a 1982 survey by the NSDA (latest figure available). That puts annual per capita consumption of all soft drinks at 412.3 12-ounce units — a 3.8 percent increase over 1980 for all bulk and packaged soft drinks. NSDA figures show steady growth in soft drink sales since 1960 when annual per capita consumption was 128 12-ounce units.

The NSDA survey shows 77.6 percent of the soft drinks sold are packaged. Of the packaged drinks, 36 percent are in cans, 19.9 percent in plastic, 15.1 percent in one-way glass and 29 percent in refillable glass. The plastic and one-way glass containers show significant usage increases. The remaining 22.4 percent of soft drinks are sold in bulk (syrup). Individual servings are dispensed at vending machines and in retail establishments. Nearly 60 percent of all soft drinks are purchased in food stores.

Diverse Cola Market

"Just for the taste of it," is Coca-Cola U.S.A's slogan in promoting Diet Coke. Dolores Sanchez, public relations specialist, tells MILITARY MARKET: "Coca-Cola rolled out Diet Coke to capture a segment of the market that Tab has been unable to.

"The post-war baby boom[ers, people now in their 30s] and others across the board are becoming more calorie conscious, and we knew there was a market for a diet drink that had no aftertaste. Tab has an aftertaste and Diet Coke does not," she says. "Also, Tab has been mainly [marketed] for the female consumer ever since it was introduced in 1963. Not until now have men become calorie conscious. The diet segment is becoming more male. Diet Coke is a mainstream cola that happens to be a diet drink."

Coca-Cola dominates the soft drink market with a 19.5 percent share, followed by Pepsi, 7UP, Dr Pepper and Tab.

Sanchez says, "Soft drink analysts predict Diet Coke will become the No. 3 brand if it is marketed well, and No. 5 if it is marketed poorly." Since its introduction in New York City in early August 1982, Diet Coke has spread to 90 percent of the country. Coca-Cola didn't plan so fast a rollout — the bottlers demanded it, says Sanchez. "We have great confidence in Diet Coke. No other soft drink has spread [geographically] so quickly."

As for the introduction of a caffeine-free cola, Sanchez says, "If and when we feel there is a viable market for us, we will enter it."

Rebecca Madeira, director of press relations at **Pepsico,** says, "Today, Pepsi-Cola is the top selling soft drink sold in food stores across the country. However, the caffeine-free drinks are also important because they're new — not yet a year old — and there's a lot of growth. People are becoming more concerned about what they drink." She predicts diet drinks will continue to show remarkable growth and that caffeine-free drinks will grow significantly also. She predicts the diet drink category will reach 20 percent of the total soft drink market in 10 years.

Pepsico rolled out Pepsi-Free and Diet Pepsi-Free this past August. From a standing start in eight cities, Pepsico now has these new entries in 95 percent distribution nationwide, according to Madeira. "It was the fastest rollout we have ever accomplished," she says.

She tells MILITARY MARKET Pepsi-Free really does contain a little caffeine. The FDA has ruled any cola-type drink that is sugared must contain some caffeine. The amount is so minute as to be called caffeine-free.

Jay Smith, public relations specialist at the National Soft Drink Association says, "The FDA ruling states that any cola or pepper-type soft drink which contains extract of the cola nut, must contain some natural-occurring caffeine." Diet colas and diet pepper-type drinks are excluded from the ruling because under the FDA's definition, a drink that is sweetened by a non-nutritive sweetener is not a soft drink.

Smith says the amount of caffeine in a standard cola drink is limited by the FDA at 0.02 percent by weight. And as a practical matter, he says, most of the cola drinks on the market contain about half that — 0.01 percent by weight. He says ounce for ounce, regular colas contain about one-sixth to one-fifth the amount of caffeine in freshly-brewed coffee.

Noncolas Thriving, Too

"Never had it, never will," is the promotional campaign that the **Seven-Up Co.** began in March 1982. The reference, of course, is to the fact that 7UP has never contained caffeine. The campaign's impact has been greater than anyone expected, says Terry Moore, manager of media relations. "Sales for 7UP and Diet 7UP are up significantly — they have dramatically exceeded our expectations, and our market share is up significantly — we are genuinely thrilled with its performance."

Moore says The Seven-Up Co. is trying to distribute its new 99 percent caffeine-free Like through its established franchises, some of which now handle Coca-Cola, too. Coca-Cola U.S.A. is fighting this by threatening to rescind contracts with its distributors if they also distribute Like. Like is now in 50 percent of the country.

Moore says 99 percent caffeine-free Like contains 0.04 milligrams of caffeine per 12-ounce can. Regular cola drinks contain about 35 milligrams of caffeine per 12-ounce can. He says the caffeine content of one can of regular cola is equivalent to the caffeine in 900 cans of Like. He makes a further comparison: The caffeine content in three cans of regular cola soda is equivalent to that contained in 15 cups of coffee. "Few parents will allow their children to have coffee, but they will allow them to drink a lot of soda," he says.

Shasta free DIET COLA
Shasta free COLA

SHASTA'S CAFFEINE-FREE logo may become the symbol for all caffeine-free soft drinks.

Shasta Beverages Inc. introduced Caffeine-Free Shasta soft drinks in Utah and the Pacific Northwest in early 1982. Now the company is rolling out nationally. For easy identification, Shasta developed a logo that appears on all its caffeine-free products. The logo is a stylized "cf" with the words "caffeine-free" included. Shasta would like to see all soft drink companies adopt the logo, but so far no other company has indicated an intention to do so.

Laurie Halladay, spokeswoman for Shasta, tells MILITARY MARKET, "Shasta is developing a newer consumer look and a more aggressive consumer market stance." The swirled 'S' in combination with the Shasta logo is repeated in different bold color combinations for each of the company's 31 regular and diet soft drinks and mixers.

Spokesman Bill Adams at the **Royal Crown Cola Co.** says his company is just getting into the military market. It has been most active in the Norfolk, Va., area, both on-base and shipboard and also in Hawaii. Adams says the success Royal Crown has had in the military market is because of the efforts of individual company representatives, rather than a companywide approach. He says a number of doors have been opened and these efforts will continue as Royal Crown expands its operations to include more of the military resale system.

MM

The Hispanic Market Heats Up

Mexican foods manufacturers are leading the way in ethnic foods gains as this cuisine fast becomes as hot as its taste.

By GUY LAMOLINARA
Managing Editor

A COLLECTIVE OLE reverberated from the board rooms of ethnic food manufacturers in 1982 as foods from south of the border increasingly found themselves on tables up north.

The West and Southwest have always given Mexican foods a warm reception, but until recently the rest of the country was lukewarm, if not cold, to the idea of this hot cuisine.

"Mexican, without a doubt, is the fastest growing ethnic food in the United States. The potential growth in Mexican foods and beverages is enormous," says Thomas Brenker, executive director of the Mexican Food and Beverage Board, an association of Mexican food and beverage producers.

The reasons for the country's newfound taste are varied. Says Brenker: "Mexican is one of the healthiest cuisines around. But even more, its [success is attributable to] the bottom line. Mexican food is cheap to make and buy, and I think the same rules would apply to the military. There's a lot of interest there as well."

The association believes the growth potential is so large because it estimates that more than 70 percent of the U.S. population has never eaten so much as a taco. "And with the Spanish-speaking population expected to double by 1990 — 60 percent of which is Mexican — the continued health of the Mexican food and beverage segment is assured," he says, but "more can be done to accelerate that growth and improve the image of Mexican cuisine."

"Mexican food is where the emphasis is in ethnic [foods]," says Polly Murray, manager of consumer services for **McCormick & Co.** The company has recently gone national with its Tio Sancho line, which was first test marketed in Houston and Phoenix, two mature Mexican foods markets.

Why introduce products in markets presenting such formidable odds? "We felt if they'd go in a mature market, they'd sell anywhere," Murray tells MILITARY MARKET.

And they evidently did. Not only is the line in national distribution, it was recently expanded to 16 SKUs with the introduction of nacho chips especially formulated for heating.

Another marketing strategy the company used was to produce items that "are not just duplicates of what's on the market," Murray says. What she was referring to in particular are the shelf-stable soft flour tortillas; unlike corn tortillas, those made from flour have heretofore required refrigeration. The add-meat burritos are sold in bean, green chili and red chili filling varieties.

Whether McCormick's recent foray into the Mexican foods market will prompt it to attempt to duplicate that success with an Oriental line has not been decided, but according to Murray, "What we're seeing is that Oriental sales are kind of leveling. We don't see that as the fast growing ethnic food. But it is important."

There seems to be almost complete unanimity on the issue of Mexican foods' popularity: "Mexican foods are going through the roof," says David DeVincenzi, special divisions manager for **Lawry's.** "We experienced from 18 percent to 20 percent growth last year [in Mexican foods]," he tells MILITARY MARKET. "This is mainly in taco products. Its [movement] is like Italian's was when it moved from east to west, except it's the opposite. Mexican

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KIKKOMAN
CHOW MEIN
SEASONING MIX
KIKKOMAN
STIR-FRY
SEASONING MIX
NET WT. 1 OZ. (28.3g)
KIKKOMAN
FRIED RICE
SEASONING MIX
NET WT. 1 OZ. (28.3g)
KIKKOMAN
SWEET & SOUR
SAUCE MIX
NET WT. 2⅛ OZ. (60.2g)
KIKKOMAN
TERIYAKI
SAUCE MIX
NET WT. 1½ OZ. (42.5g)
KIKKOMAN
MARINADE
MIX FOR MEAT
NET WT. 1 OZ. (28.3g)

KIKKOMAN INTERNATIONAL INC. is in the process of introducing a line of Oriental sauce mixes. The offerings include meat marinade, teriyaki sauce and fried rice seasoning.

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[food] started in Texas and the West Coast and is moving east."

Cindy Brown, assistant product manager for the Lawry's Mexican foods line, says recent research has shown that Mexican food is "one of the fastest growing grocery product categories." The reasons: "It is inexpensive to prepare compared with other [ethnic] cuisines, which may require more expensive ingredients; it is also relatively easy to prepare; schools are serving it more often; and it is fairly nutritious — high in protein," she tells MILITARY MARKET.

Pet Inc. has probably achieved the most success in Mexican foods with its Old El Paso line. A spokeswoman for the company tells MILITARY MARKET: "It's the No. 1 brand, with a 23.7 percent share of the Mexican foods business." Overall, Mexican foods is the No. 4 grocery category behind tuna, packaged dinners and pork and beans, she says. "But Mexican is the only one that's growing, and it's the fastest growing of the grocery categories, with 21 percent growth in 1982. Our sales have risen 300 percent from 1979 to 1982." Year-end SAMI figures for 1982 show that Mexican foods is a $449 million market; Old El Paso has $106 million of that market.

"The military is very receptive to Mexican foods. In fact they appreciate it more than the civilian market because they have a greater exposure to it when traveling throughout the United States. The military is helping to spread Mexican's popularity."

From Exotic to Commonplace

The Oriental foods market is certainly important to Harold S. Stein, president of **Harold S. Stein & Associates,** a military sales broker. The company handles a variety of products, but the Oriental market is its most important. And although the Oriental market may be leveling off for McCormick, things could hardly be better for Stein and the products he represents. Says he: "Our sales to commissaries have grown 26 percent this past year."

He also tells MILITARY MARKET that commissary managers are increasingly devoting space to Oriental foods departments. This trend is not confined only to the big city bases. "Sales don't seem to vary that much by geography," he says. "Even in places like Fort Bragg, N.C., the products sell very well. We do just as well in Texas as in California."

Nor are Orientals the only ones buying his products, which are not the typical American-made Oriental foods. "Our products are more like the true Oriental style that Orientals are used to eating, [rather than the Oriental food from American manufacturers for American tastes]. And a great deal of our sales have to be due to non-Orientals buying them," Stein says.

What was once exotic is now commonplace in commissaries, says Stein. "Tofu is almost a regular item in most stores." The com-

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MINORITY PARTICIPATION IN THE ACTIVE FORCE

	Total	Black	Hispanic	Other
Army	37%	29%	4%	4%
Navy	20%	11%	3%	6%
Marine Corps	27%	20%	5%	2%
Air Force	22%	15%	4%	3%
Dod Total	**28%**	**20%**	**4%**	**4%**
Total U.S.	**21%**	**12%**	**7%**	**2%**

SOURCE: Army Times Research Department. Data for FY 1982; minorities as a percentage of active-duty end strengths (total officer and enlisted).

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pany markets dried and canned grocery products from the Orient sold under the **Orchids** and **Hanayome** labels, the **S & B Sunbird** brand of Oriental spices and the Rice Growers Association of California's **Hinode** Calrose rice.

Stein explains that Hinode is a medium-grain rice, used especially in Thai, Japanese, Filipino and Korean cuisines because of its "sticky" quality. To make the consistency of the Hinode rice more like American white rice, the Rice Growers Association developed a long-grain Hinode rice that has the taste of the medium-grain product without the stickiness.

The sales manager for special markets for **LaChoy,** one of the best known brands of Oriental foods, sees the ethnic foods market differently than McCormick's Murray. "Mexican has had a proliferation of manufacturers. The market as a whole is growing, but the increase in manufacturers is diluting the [individual manufacturers'] shares." Like Stein, he too sees Oriental foods "as a growth area for probably everyone in the industry. This is because Oriental foods are more complex; [they] require more specialized ingredients."

Another company that has had much success with a product more like the "natives" eat is **Goya Foods.** The company's products aren't Mexican-American, they are Hispanic, appealing to the palate weaned on such delicacies as beef-tripe stew, tropical juices and some 25 varieties of canned and dried beans. These foods — unavailable from the Mexican-American manufacturers — are big sellers for Goya. Many of Goya's products, including the small pink and white beans, are for the Puerto Rican market, but foods for other Caribbean cultures are also represented.

Those of the Jewish faith are able to purchase Kosher foods in the commissaries with the **Manischewitz** label. A company spokesman tells MILITARY MARKET that Manischewitz' primary customer is of the Jewish faith, "but other people [of other faiths] eat the products, too, because they perceive them as being cleaner." The Manischewitz line includes products especially produced for Passover, and the newest items are chocolate chip macaroons and almond mandel (cake) loaf.

That's Italian

Progresso Quality Foods claims to market the country's leading brand of specialty Italian-style foods. Like Trader Vic's and the products distributed by Harold Stein, Progresso views its products as being more "authentic" than the lines marketed by other manufacturers, says spokeswoman Mary MacArthur.

The company began by distributing its products exclusively to Italian-American grocery stores. "The post-war boom extended the brand's popularity, and distribution was expanded into large supermarket chains. By 1948, the corporation had become the largest manufacturer of Italian foods in North America," company sources say.

Progresso is currently expanding to establish its brand outside its traditional markets in the East. In the past few years, Progresso products were introduced to California and other Western states and in the greater Chicago area in late 1980; the products are "pretty much available nationwide [now]," MacArthur tells MILITARY MARKET. Although the brand name has moved west, MacArthur says easterners are still the largest purchasers of Progresso foods.

She adds that Italian has become the new "in" food. "Our products are becoming so popular because people are more nutrition-minded and getting down to basic cooking," she says.

The complete line includes "authentically Italian" imported olive oil, spices, imported Tuscan green peppers and pignoli (pine) nuts. In test market in Seattle, Milwaukee, Chicago, Buffalo-Rochester and Portland, Ore., are five soups — beef and chicken minestrone, beef vegetable, clam chowder and chicken noodle. These will roll out nationally this summer, MacArthur says.

There seems to be no end to Americans' growing interest in ethnic foods. As they become more willing to expore new tastes, manufacturers are likely to respond with new products. Says Harold Stein: "When people become more accustomed to ethnic food, they'll eat more of it. Our sales . . . have grown 26 percent in the past year, and we expect that much [of an increase] this year, too."

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Fruit & Juice Drinks Gain Ground on Sodas

CAPRI SUN
APPLE DRINK
CAPRI SUN
LEMONADE
CAPRI SUN
NATURAL FRUIT DRINK
FRUIT PUNCH
CAPRI SUN
NATURAL FRUIT DRINK
ORANGE DRINK
CAPRI SUN
NATURAL FRUIT DRINK
GRAPE DRINK

SHASTA'S CAPRI SUN line is one of the most popular of the new aseptic packages that have changed the juices and fruit drink market. The product is available in apple, orange, grape, lemonade and fruit punch flavors.

Growing concerns over sugar in the American diet, a return to wholesomeness in nutrition, and convenient packaging techniques have helped fuel the upward surge in juices and fruit drinks consumption.

By JAY BLUCHER
Associate Editor

CHEMICALS ARE OUT and naturalness is in.

Health and nutrition are the key words on the minds of today's consumers. The emphasis of the '80s is away from highly preserved, artificially flavored products and toward the natural. The juice and fruit drinks industry has experienced steady growth on the coattails of these concerns and responded with aggressive marketing strategies for wholesome and nutritious beverages.

The average American drinks more than 40 gallons of soft drinks a year, but only about eight gallons of fruit juices and drinks. Soda marketers spent far more on advertising, and also sold more — but that trend is reversing. Juices are becoming increasingly favored by mothers seeking to wean their youngsters away from carbonated

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JUICES & DRINKS

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beverages. Shoppers are also attracted to the ready-to-serve aspect of refrigerated juices.

Aseptic Packaging

Ocean Spray, the leader in the cranberry juice trade, was the forerunner in introducing aseptic packaging to the juice field. Also known as its "paper bottle," this packaging method has enjoyed great success. Aseptic packaging also allows the juices to be stored without refrigeration for over six months. Ocean Spray says that aseptic packaging cuts 10 percent to 15 percent off the retail price of ready-to-serve fruit drinks.

By the end of the summer, Ocean Spray also hopes to have shelf-stable liquid concentrates available at the national level, which will combine with water in a four-to-one ratio. This shelf-stable concentrate will replace the company's frozen concentrate line of cranberry products, and additionally afford the consumer a 20 percent to 25 percent savings over current frozen cranberry concentrate products.

"The aseptic packaging gave us a terrific jump on the other juice companies," said Robert O'Toole, military sales manager for Ocean Spray. "So much of a jump, that today Ocean Spray is the No. 2 seller behind apple juice for juices other than orange," he told MILITARY MARKET.

The new box-style packaging is being used for beverages processed at ultrahigh temperatures for long-term shelf stability. Consumers seem to enjoy the increased convenience this packaging gives them. The concept has drawn such long-time competitors as **General Mills, Del Monte** and **Coca-Cola Foods** into using aseptic packaging.

Other major aseptic names in the field include **Borden Co.'s** Sip-in-Pak orange juice, Coca-Cola Food's three Hi-C flavors and **Shasta** with four flavors of its Capri Sun drinks. Sales are all doing very well for these products, as consumers prefer the added convenience of juices available in paper and foil containers.

Aseptic packaging has met with a great deal of enthusiasm by consumers, changing the way Americans buy and consume juice products. **Brik-Pak,** the major supplier of aseptic packaging to the industry, reports that its Brik-Pak carton has generated heavy out-of-home usage in school lunches and by brown baggers.

According to the Food Marketing Institute, cranberry juice is now the second-fastest growing canned and bottled fruit juice category, with sales up 33 percent last year to $203 million. The only product category that grew faster was nectars — at 41.5 percent. Product blends such as CranApple and CranGrape continue to do well.

When Ocean Spray brought grapefruit juice to a glass container a few years ago, the product's popularity soared. After five years, the Ocean Spray grapefruit line became the No. 1 seller grapefruit juice — commanding 18 percent of that $200 million market, according to *Business Week*.

Hidden Values in Juices

"The modern consumer is beginning to see the value in purchasing fruit juices that perhaps he couldn't see before," said Douglas Thornton, military sales manager for **Libby, McNeill & Libby.** "Juices of all kinds are really underpriced for the value they afford the shopper. For the military market, we have found that the bulk of our business has been with the large 46-ounce cans, and the convenient six-pack of six-ounce cans banded together," he said.

Surprisingly, the gains of aseptic packaging have not appreciably hurt the powdered and canned beverages as much as might be expected. Steve Cole, military sales manager for **General Foods Corp.,** says, "The powdered market has definitely not fallen off — in fact, we have experienced a five percent growth in sales for our Tang, Kool-Aid and Country Time powdered beverages last year."

General Foods has also recently introduced a new adult-oriented, sugar-free drink it calls Crystal Light. With this product reaching national distribution shortly, it will augment the sugar-free line of Kool-Aid, now available in five flavors.

Apple juice has become the upstart product of the juice industry, experiencing strong growth in the late '70s. With an annual growth rate of some 15 percent, apple juice was an alluring category for many juice companies to explore expansion into. Recently that growth has leveled off to less than one percent, however. "For the last two years we have only seen modest growth in apple juice for a number of reasons: The market has reached a measure of maturity and the depressed economic conditions of the marketplace have heightened competition among many companies," said Chick Rogers, military sales manager for **National Fruit Produce Co.,** which markets White House apple juice.

The growth in sales for apple juice came on the heels of a heightened awareness in the country concerning sugar. "I suppose it began with the ecology movement, but in general, people began to realize the nutritional implications of all that sugar in their diet and apple juice bacame the natural substitute, especially for cooking," said Barbara Huff, spokeswoman for **Real Fresh Inc**.

The sales prognosis for apple and grape flavors, the two most important noncitrus frozen concentrates, looks good for the future. Both are expected to build upon gains scored in recent years. The leader in apple juice concentrates continues to be **S.S. Pierce Co.,** whose Seneca apple juice line is the No. 1 selling frozen apple juice concentrate.

S.S. Pierce has also introduced an all-natural grape juice, marketed as Seneca 100 percent Natural Frozen Grape Juice, in 12-ounce cans and appearing nationally soon. Before the introduction of this product, all frozen grape concentrates were made with grape juice and sugar. "This new line represents the first true innova-

COMMISSARY SALES OF JUICES & DRINKS

	DOMESTIC	OVERSEAS	WORLDWIDE
Frozen juices and drinks	$39,603,800	$6,943,800	$46,547,600
Canned juices			
Prune	2,583,200	653,500	3,236,700
Apple/cider	7,192,600	1,669,100	8,861,700
Grapefruit	4,330,800	1,011,400	5,342,200
Cranberry	3,267,000	755,300	4,022,300
Pineapple	1,696,800	440,100	2,136,900
Grape	1,848,800	476,000	2,325,400
Orange	1,266,300	304,900	1,571,200
Lemon and Lime	1,013,000	244,000	1,257,000
Nectars	987,700	237,900	1,225,600
All other fruit juices	1,139,800	305,600	1,445,400
Punches	5,074,200	1,205,100	6,279,300
Grape-flavored	2,347,200	514,700	2,861,900
Orange-flavored	2,021,600	503,600	2,525,200
Pineapple-flavored	691,900	166,700	858,600
Tomato juice	3,404,800	819,900	4,224,700
Tomato cocktail	527,000	135,500	662,500
Vegetable cocktail	2,697,500	589,300	3,286,800
All other	305,200	125,100	430,300
Total	$85,431,800	$17,979,000	$103,410,800

SOURCE: Army Times Research Department. Data for CY 1981.

tion in the frozen grape juice category in many years," said Eric Jaeckel, marketing director for Seneca.

Orange Juice Still No. 1

But while apple juice may be the trendsetter of the industry, orange juice remains the leader in terms of sales and consumer demand. Each year consumers spend more than $2.5 billion on frozen and chilled orange juice. The orange juice field is dominated by Coca-Cola Food's Minute Maid and **Beatrice Food's** Tropicana brands, which together accounted for more than $863 million in retail sales for 1982. While frozen concentrate orange juice is the biggest seller with both the civilian and miltary patrons, chilled orange juice is the newest and fastest growing member of the orange juice family.

According to Paul Kastl, MSM for **Citrus Central Inc.**, "Apple juice may be growing faster, but in terms of sheer volume of sales, there's no comparison between orange juice and apple."

"Citrus drinks and fruit juices have grown in fantastic proportion to sodas and carbonated beverges. In fact, for the first time ever we have surpassed the $1 billion mark as an industry, and obviously, this is very encouraging," Kastl told MILITARY MARKET.

Good news for the orange juice consumer is that this year's crop looks better than last year's, and barring an unforeseen freeze, should afford a price break to the shopper. "It's too early to say with any certainty, but the crop definitely looks better than last year, which is certainly welcome news to the industry," said Kastl.

Tropicana's introduction of its Chugger, a single-serving shelf-stable orange juice, has greatly enhanced its sales. A company spokesman said, "While there are no immediate plans for aseptic packaging, the convenience of our Chuggers six-pack and single-serving lines has shown us that convenience is an important consumer consideration today."

A recent development in this highly competitive market has been the introduction of Minute Maid's reduced-acid orange juice, more than two years in development and the only product of its kind in the field. The new line was specifically designed for the consumer who is sensitive to the acid in citrus juices.

Two well established firms to recently enter the orange juice market with new brands are **Gerber Products Co.** with its Vintage Grove line of fruit juices, and **Procter & Gamble** with Citrus Hill. Gerber's entry bucks the latest trend of aseptic packaging in the industry, with its apple and apple-cranberry juices marketed in refrigerated, ready-to-use cartons only. Procter & Gamble entered its new Citrus Hill brand in chilled, ready-to-drink cartons and frozen concentrate.

One brand of drink that stands apart from the others in the field has been the Gatorade line from **Stokeley-Van Camp.** Marketed as a thirst-quencher drink, the juice contains no fruit juices and is produced from water, salt and other minerals. According to John Donnelly, military sales manager for the company, "Sales of this item have consistently been high and we are expecting continued growth for the future."

The leader in the vegetable juices continues to be **Campbell Soup Co.'s** V-8. Heavy competition among several brands remains the norm for this field. Campbell's, **Welch's, Sacramento,** Libby's and Del Monte tomato juices are all competing for an increasingly slim sales market for tomato juice. These major packers are experiencing stagnating sales, while private labels and generic brands are slowly eroding their sales bases, according to *Frozen Food Age*.

Vegetable and tomato juice products have not experienced the growth of fruit juice lines, perhaps because in the past the American taste has become so accustomed to sweetness from its drinks. While this sweet tooth still persists, fructose (from fruit) is beginning to replace sucrose (table sugar).

The verdict is still not in on whether the trend of increasing juice sales will overtake the incredible 40 gallons of soda the average American drinks per year.

MM

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COMMISSARIES

		JANUARY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AIR FORCE	CONUS	$136,261	$132,747	+2.65	$136,261	$132,747	+2.65
	OVERSEAS	27,055	26,784	+1.01	27,055	26,784	+1.01
	TOTAL	163,316	159,531	+2.37	163,316	159,531	+2.37
ARMY	CONUS	108,264	96,512	+12.18	108,264	96,512	+12.18
	OVERSEAS	39,936	30,160	+32.41	39,936	30,160	+32.41
	TOTAL	148,200	126,672	+17.00	148,200	126,672	+17.00
NAVY	CONUS	49,877	50,141	-0.53	49,877	50,141	-0.53
	OVERSEAS	5,668	5,828	-2.75	5,668	5,828	-2.75
	TOTAL	55,545	55,969	-0.76	55,545	55,969	-0.76
MARINES	CONUS	10,846	10,844	+0.02	10,846	10,844	+0.02
	OVERSEAS	174	150	+16.00	174	150	+16.00
	TOTAL	11,020	10,994	+0.24	11,020	10,994	+0.24
COAST GUARD	CONUS	275	307	-10.42	275	307	-10.42
	OVERSEAS	217	218	-0.46	217	218	-0.46
	TOTAL	492	525	-6.29	492	525	-6.29
ALL COMMISSARIES	CONUS	305,523	290,551	+5.15	305,523	290,551	+5.15
	OVERSEAS	73,050	63,140	+15.70	73,050	63,140	+15.70
	TOTAL	$378,573	$353,691	+7.03	$378,573	$353,691	+7.03
GROCERY STORES	U.S.[1]	$19.116 bil.	$18.937 bil.	+0.95	$19.116 bil.	$18.937 bil.	+0.95

EXCHANGES

		JANUARY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$180,418	$173,140	+4.20	$180,418	$173,140	+4.20
	OVERSEAS	135,734	133,119	+1.96	135,734	133,119	+1.96
	TOTAL	316,152	306,259	+3.23	316,152	306,259	+3.23
NAVY	CONUS[2]	60,465	65,353	-7.48	60,465	65,353	-7.48
	OVERSEAS[2]	27,433	28,502	-3.75	27,433	28,502	-3.75
	TOTAL[2]	87,898	93,855	-6.35	87,898	93,855	-6.35
MARINES	CONUS	17,491	20,921	-16.40	17,491	20,921	-16.40
	OVERSEAS	4,059	3,523	+15.21	4,059	3,523	+15.21
	TOTAL	21,550	24,444	-11.84	21,550	24,444	-11.84
COAST GUARD	CONUS[3]	4,746	4,963	-4.37	4,746	4,963	-4.37
	OVERSEAS[3]	647	553	+17.00	647	553	+17.00
	TOTAL[3]	5,393	5,516	-2.23	5,393	5,516	-2.23
MAIL ORDER	CONUS[4]	1,281	736	+74.05	1,281	736	+74.05
	OVERSEAS[4]	3,796	2,616	+45.11	3,796	2,616	+45.11
	TOTAL[4]	5,077	3,352	+51.46	5,077	3,352	+51.46
ALL EXCHANGES	CONUS	264,401	265,113	-0.27	264,401	265,113	-0.27
	OVERSEAS	171,669	168,313	+1.99	171,669	168,313	+1.99
	TOTAL	$436,070	$433,426	+0.61	$436,070	$433,426	+0.61
DEPARTMENT STORES	U.S.[1]	$6.47 bil.	$6.058 bil.	+6.80	$6.47 bil.	$6.058 bil.	+6.80

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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Military Market

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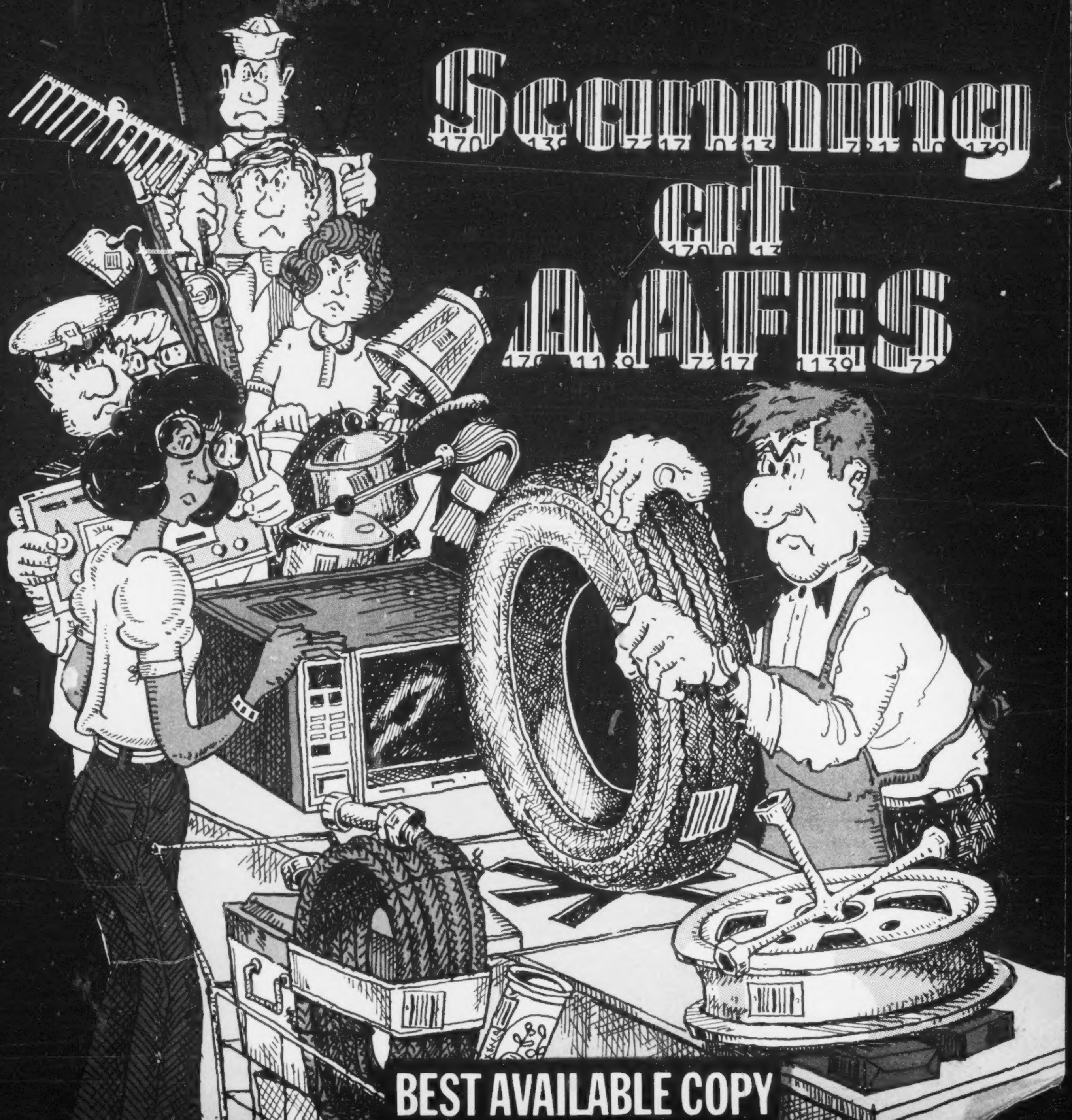

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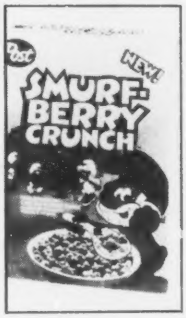

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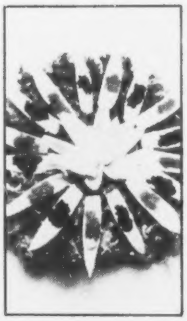

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COMMISSARIES

		FEBRUARY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AIR FORCE	CONUS	$132,441	$123,393	+7.33	$268,702	$256,140	+4.90
	OVERSEAS	27,126	25,080	+8.16	54,181	51,865	+4.47
	TOTAL	159,567	148,473	+7.47	322,883	308,005	+4.83
ARMY	CONUS	90,168	90,272	-0.12	198,432	186,784	+6.24
	OVERSEAS	26,936	27,352	-1.52	66,872	57,512	+16.27
	TOTAL	117,104	117,624	-0.44	265,304	244,296	+8.60
NAVY	CONUS	47,923	46,969	+2.03	97,800	97,109	+0.71
	OVERSEAS	5,577	5,699	-2.14	11,245	11,527	-2.45
	TOTAL	53,500	52,668	+1.58	109,045	108,636	+0.38
MARINES	CONUS	10,792	9,409	+14.70	21,639	20,253	+6.84
	OVERSEAS	167	160	+4.38	341	310	+10.00
	TOTAL	10,959	9,569	+14.53	21,980	20,563	+6.89
COAST GUARD	CONUS	269	294	-8.50	545	601	-9.32
	OVERSEAS	175	180	-2.78	392	398	-1.51
	TOTAL	444	474	-6.33	937	999	-6.21
ALL COMMISSARIES	CONUS	281,593	270,337	+4.16	587,118	560,887	+4.68
	OVERSEAS	59,981	58,471	+2.58	133,031	121,612	+9.39
	TOTAL	$341,574	$328,808	+3.88	$720,149	$682,499	+5.52
GROCERY STORES	U.S.[1]	$18.130 bil.	$17.494 bil.	+3.64	$37.303 bil.	$36.431 bil.	+2.39

EXCHANGES

		FEBRUARY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$204,250	$193,009	+5.82	$384,668	$366,149	+5.06
	OVERSEAS	144,331	132,349	+9.05	280,064	265,468	+5.50
	TOTAL	348,581	325,358	+7.14	664,732	631,617	+5.24
NAVY	CONUS[2]	80,493	77,767	+3.51	140,958	143,120	-1.51
	OVERSEAS[2]	34,446	32,267	+6.75	61,879	60,769	+1.83
	TOTAL[2]	114,939	110,034	+4.46	202,837	203,889	-0.52
MARINES	CONUS	29,770	29,491	+0.95	47,261	50,412	-6.25
	OVERSEAS	5,526	5,081	+8.76	9,585	8,605	+11.39
	TOTAL	35,296	34,572	+2.09	56,846	59,017	-3.68
COAST GUARD	CONUS[3]	5,491	5,439	+0.96	10,238	10,402	-1.58
	OVERSEAS[3]	748	606	+23.43	1,396	1,160	+20.34
	TOTAL[3]	6,239	6,045	+3.21	11,634	11,562	+0.62
MAIL ORDER	CONUS[4]	1,677	1,040	+61.25	2,958	1,776	+66.55
	OVERSEAS[4]	4,788	3,592	+33.30	8,585	,208	+38.29
	TOTAL[4]	6,465	4,632	+39.57	11,543	7,984	+44.58
ALL EXCHANGES	CONUS	321,681	306,746	+4.87	586,083	571,859	+2.49
	OVERSEAS	189,839	173,895	+9.17	361,509	342,210	+5.64
	TOTAL	$511,520	$480,641	+6.42	$947,592	$914,069	+3.67
DEPARTMENT STORES	U.S.[1]	$6.304 bil.	$6.042 bil.	+4.34	$12.774 bil.	$12.1 bil.	+3.67

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) Military Market Magazine estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

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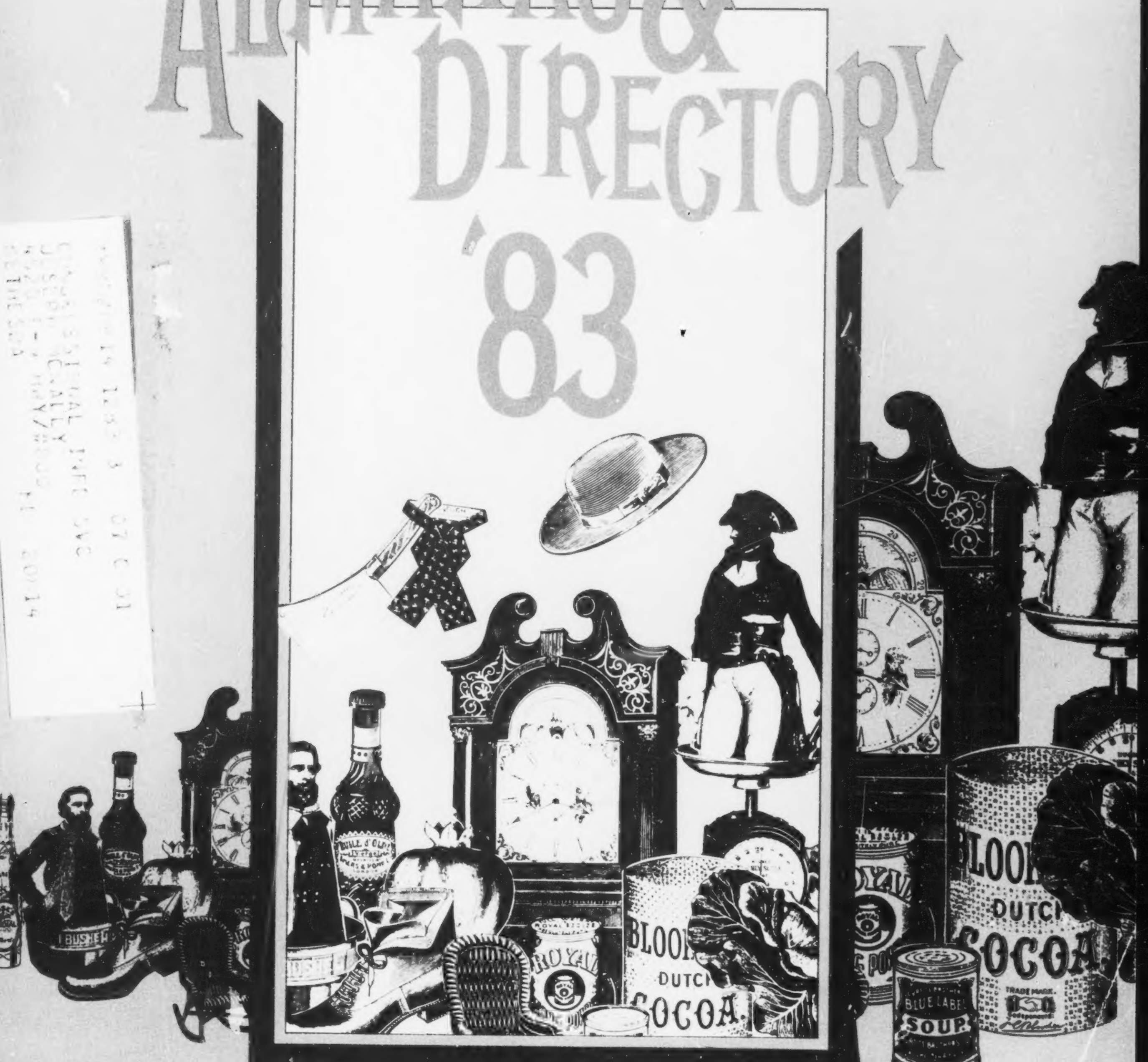
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A company-by-company listing of thousands of firms supplying to the resale systems, plus references to their brand name products. Newly expanded and updated, this Directory is our largest ever.
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Military Market

The Almanac

Twenty-fourth Annual Statistical Review of the Military Resale Market

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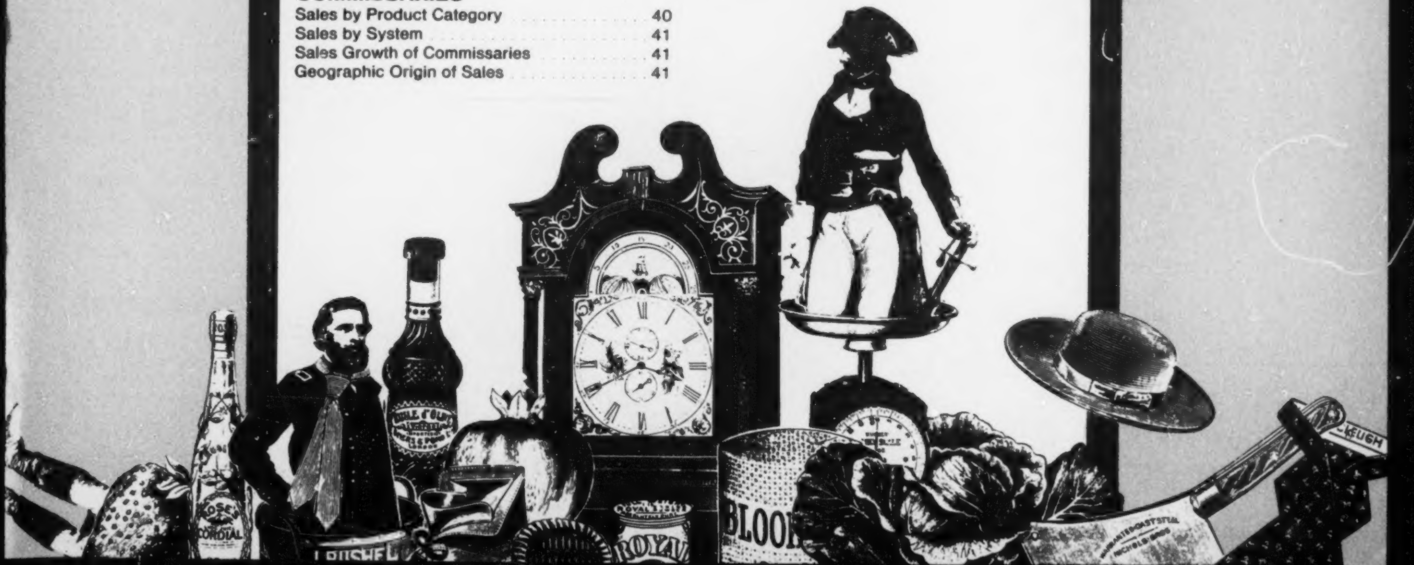


The Market

RESERVE FORCES IN PAID STATUS

ARMY NATIONAL GUARD	
Officers	40,387
Enlisted	367,214
Total	**407,601**
ARMY RESERVE	
Officers	48,042
Enlisted	208,617
Total	**256,659**
NAVAL RESERVE	
Officers	18,045
Enlisted	75,674
Total	**93,719**
MARINE CORPS RESERVE	
Officers	2,901
Enlisted	37,104
Total	**40,005**
AIR NATIONAL GUARD	
Officers	12,517
Enlisted	88,140
Total	**100,657**
AIR FORCE RESERVE	
Officers	13,890
Enlisted	50,553
Total	**64,443**
DoD RESERVES (Total)	
Officers	135,782
Enlisted	827,302
Total	**963,084**
COAST GUARD RESERVE**	
Officers	1,765
Enlisted	10,510
Total	**12,275**
TOTAL (all services)	
Officers	137,547
Enlisted	837,812
Total	**975,359**

*As of September 30, 1982
**The Coast Guard is part of the Department of Transportation.
SOURCE: Defense Manpower Data Center

The resale systems' potential customer pool in 1982 was made up of more than 11.6 million active duty, retired and reservist military personnel along with their dependents. More than half of all active duty personnel are 25 years old or under, while nearly 38 percent of military customers are retirees or their dependents.

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

Under 20 years	21.2%
21 — 25 years	34.2%
26 — 29 years	15.0%
30 — 35 years	16.0%
36 — 39 years	7.2%
40 years +	6.4%

As of September 30, 1982
Does not include Coast Guard.

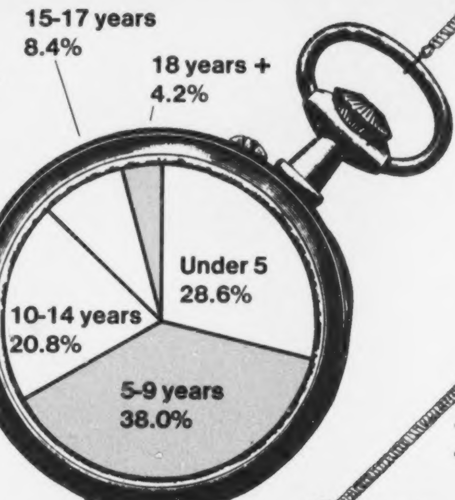
POPULATION OF THE MILITARY COMMUNITY

RESERVISTS*		
Reservists in paid status	993,396	8.5%
Spouses of reservists	622,600	5.3%
Children of reservists	717,100	6.2%
Total	**2,333,096**	**20.0%**
RETIREES		
Retired military	1,404,586	12.0%
Spouses of retired military	1,260,858	10.9%
Other dependents of retirees	1,740,366	14.9%
Total	**4,405,810**	**37.8%**
ACTIVE DUTY		
Active duty military	2,165,422	18.6%
Spouses of active duty military	1,132,300	9.7%
Other dependents of active duty	1,626,630	13.9%
Total	**4,924,352**	**42.2%**
GRAND TOTAL	**11,663,258**	**100%**

As of March 31, 1983
*Does not include Coast Guard reserves

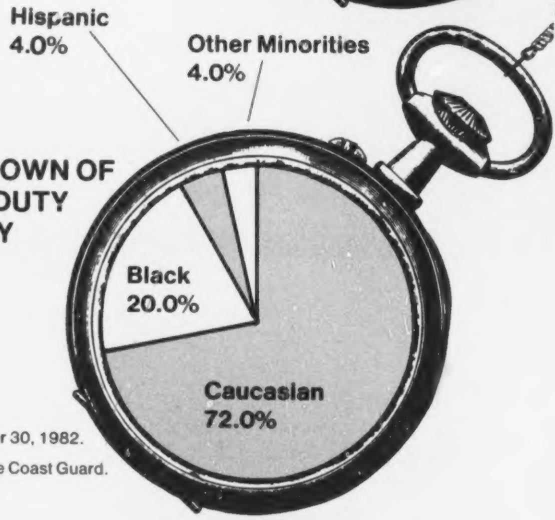
AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY PERSONNEL

As of March 31, 1983



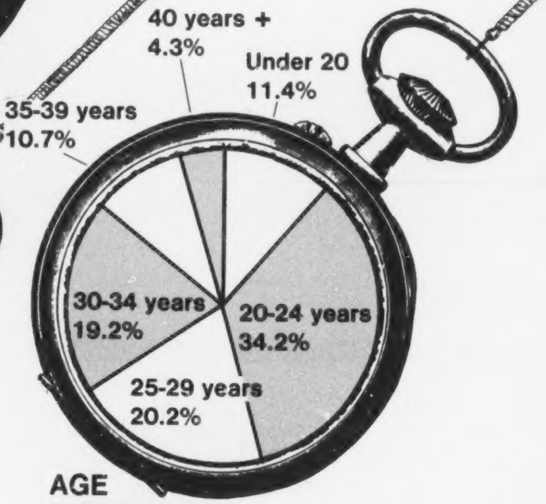
Women made up nine percent of the forces, and blacks and other minorities accounted for 28 percent. About 45 percent of all military wives were 24 years old or under, while two-thirds of military children were less than 10 years old.

RACE BREAKDOWN OF ACTIVE DUTY MILITARY



As of September 30, 1982.

Does not include Coast Guard.



AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

As of March 31, 1983

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	CY 1982	CY 1981	CY 1980	CY 1979	CY 1978
Total active duty	2,108,612	2,082,560	2,050,627	2,027,494	2,062,404
Percent male	91.0	91.1	91.6	92.6	93.5
Percent female	9.0	8.9	8.4	7.4	6.5

As of Sept. 30, 1982.
Does not include Coast Guard

The Market

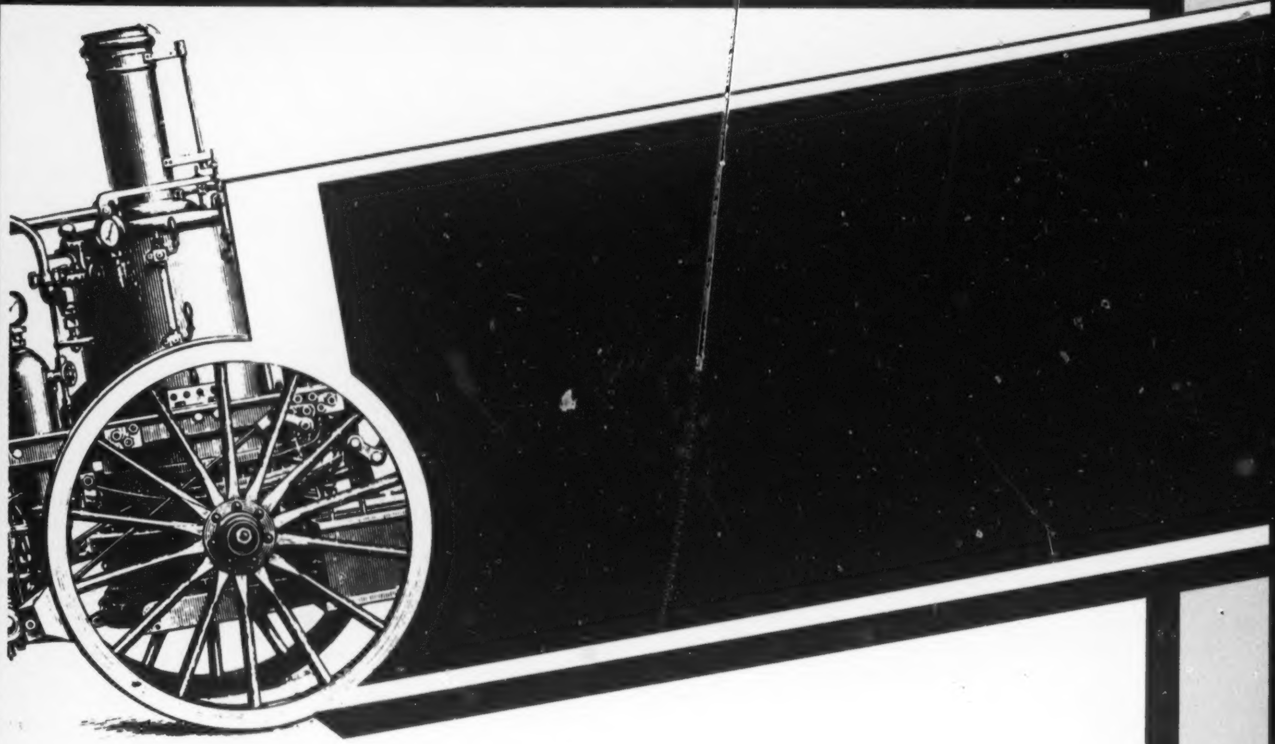
ACTIVE DUTY MILITARY PERSONNEL BY RANK, SEX AND SERVICE

	ARMY		NAVY		MARINE CORPS		AIR FORCE	
RANK	Male	Female	Male	Female	Male	Female	Male	Female
OFFICERS								
O7-O10	394	2	249	2	65	0	336	2
O-6	4,430	85	3,724	87	579	5	5,257	76
O-5	10,371	290	7,466	286	1,487	29	12,088	328
O-4	15,208	910	11,991	947	2,934	59	17,783	769
O-3	28,843	3,746	16,917	2.110	4,724	123	32,199	3,903
O-2	11,053	2,003	9,003	1,266	4,509	170	12,973	3,064
O-1	9,497	1,837	9,297	1,026	2,834	149	11,312	1,800
WARRANT OFFICERS	14,280	160	2886	16	1,283	25	0	0
TOTAL OFFICERS	94,076	9,033	61,533	5,740	18,415	560	91,948	9,942
ENLISTED								
E-9	4,168	19	3,659	5	1,233	6	4,735	14
E-8	14,873	120	8,618	35	3,263	24	9,446	32
E-7	47,379	813	30,423	267	8,623	125	34,210	192
E-6	78,304	3,780	65,838	2,229	14,727	385	52,146	1,198
E-5	105,466	11,624	84,335	6,698	24,674	1,481	91,669	10,592
E-4	154,166	21,481	87,962	10,178	30,565	1,974	84,024	18,245
E-3	106,636	15,287	84,992	10,768	41,935	1,872	102,494	17,588
E-2	41,611	5,540	42,489	4,387	24,324	1,316	22,887	3,357
E-1	56,474	4,958	35,846	2,457	16,186	692	20,876	2,767
TOTAL ENLISTED	609,077	63,622	444,162	37,024	165,530	7,875	422,487	53,985
CADETS AND MIDSHIPMEN	4,134	449	4,240	297	0	0	3,962	521
GRAND TOTAL	707,287	73,104	509,935	43,061	183,945	8,435	518,397	64,448

RANK	COAST GUARD*			TOTAL ALL SERVICES			TOTAL DOD		
OFFICERS	Male	Female	Total	Male	Female	Total	Male	Female	Total
O7-O10	28	0	28	1,072	6	1,078	1,044	6	1,050
O-6	332	0	332	14,322	253	14,575	13,990	253	14,243
O-5	635	0	635	32,047	933	32,980	31,412	933	32,345
O-4	942	3	945	48,858	2,688	51,546	47,916	2,685	50,601
O-3	1,368	28	1,396	84,051	9,910	93,961	82,683	9,882	92,565
O-2	1,063	31	1,084	38,601	6,534	45,135	37,538	6,503	44,041
O-1	485	52	547	33,425	4,864	38,289	32,940	4,812	37,752
WARRANT OFFICERS	1,445	2	1,447	19,894	203	20,097	18,449	201	18,650
TOTAL OFFICERS	6,298	116	6,414	272,270	25,391	297,661	265,972	25,275	291,247
ENLISTED									
E-9	308	0	308	14,103	44	14,147	13,795	44	13,839
E-8	462	1	463	36,662	212	36,874	36,200	211	36,411
E-7	2,600	4	2,604	123,235	1,401	124,636	120,635	1,397	122,032
E-6	4,911	98	5,009	215,926	7,690	223,616	211,015	7,592	218,607
E-5	4,790	317	5,107	310,934	30,712	341,646	306,144	30,395	336,539
E-4	7,737	483	8,220	364,454	52,361	416,815	356,717	51,878	408,595
E-3	4,170	378	4,548	340,227	45,893	386,120	336,057	45,515	381,572
E-2	3,782	333	4,115	135,093	14,933	150,026	131,311	14,600	145,911
E-1	753	76	829	130,135	10,950	141,085	129,382	10,874	140,256
TOTAL ENLISTED	29,513	1,690	31,203	1,670,769	164,196	1,834,965	1,641,256	162,506	1,803,762
CADETS AND MIDSHIPMEN	741	109	850	13,077	1,376	14,453	12,336	1,267	13,603
GRAND TOTAL	36,552	1,915	38,467	1,956,116	190,963	2,147,079	1,919,564	189,048	2,108,612

Department of Defense data as of Sept. 30, 1982. *Coast Guard data as of Oct. 31, 1982. Portions of Coast Guard data are estimated.

Compensation



FY 1983 Active Duty Military Compensation

Average military compensation	**$24,656***
Regular military compensation	$17,475
Basic pay	12,866
Basic allowance for quarters	1,642
Subsistence allowance & costs	1,670
Variable housing allowance	301
Federal income tax advantage	996
Special allowances	$637
Special & incentive pays	909
Commissary & exchange savings	748
Free/reduced cost medical/dental care	1,046
Retirement credit for current year's service	3,011
Social security payments (government contributions)	830

*Annual rate, including value of fringe benefits and consumption advantages.

SOURCE: DoD Personnel Budget for FY 1983.

Average Military Compensation Over the Last Six Years

FY 1977	$14,398
FY 1978	15,367
FY 1979	16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656

Source: FY 1983 DoD Personnel Budget

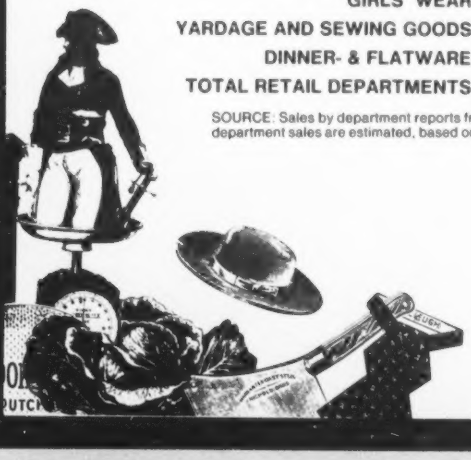
The average annual compensation for active duty military rose 4.7 percent to $24,656. At the same time, all-sources income for the resale systems' pool of potential customers rose 6.5 percent to $133.4 billion.

Exchanges

A category-by-category breakdown of sales in exchanges during CY 1982.

	WORLDWIDE		DOMESTIC		OVERSEAS	
	DOLLAR SALES	PERCENTAGE	DOLLAR SALES	PERCENTAGE	DOLLAR SALES	PERCENTAGE
CONSUMER ELECTRONICS	$584.8	11.7	$187.9	5.79	$396.8	22.6
FOOD AND JUICES	411.1	8.22	269.4	8.31	141.6	8.07
TOBACCO PRODUCTS (INCL. VENDING)	385.2	7.70	308.6	9.51	76.5	4.36
MILITARY UNIFORMS (INCL. DPSC)	300.0	6.00	232.8	7.17	67.2	3.82
HEALTH AND BEAUTY AIDS	265.5	5.31	187.0	5.76	78.5	4.47
STATIONERY & GREETING CARDS	223.1	4.46	164.8	5.08	58.3	3.32
MEN'S FURNISHINGS	199.9	4.00	142.6	4.39	57.2	3.26
SODA & BEER	186.3	3.72	112.5	3.47	73.8	4.20
OPTICAL AND PHOTOGRAPHY	182.6	3.65	107.7	3.32	74.8	4.26
TRAFFIC AND MAJOR APPLIANCES	160.0	3.20	101.4	3.12	58.5	3.33
FOOTWEAR	158.5	3.17	117.2	3.61	41.2	2.34
WOMEN'S OUTERWEAR	151.5	3.03	104.6	3.22	46.9	2.67
AUTOMOTIVE	145.1	2.90	99.9	3.08	45.1	2.57
JEWELRY (INCL. FINE JEWELRY)	123.9	2.48	79.6	2.45	44.3	2.52
MEN'S OUTERWEAR	115.7	2.31	76.0	2.34	39.6	2.26
WOMEN'S FURNISHINGS	108.5	2.17	85.5	2.63	22.9	1.30
HARDWARE	103.1	2.06	81.4	2.51	21.7	1.23
LINENS AND DOMESTICS	98.1	1.96	66.5	2.05	31.5	1.79
TOYS, GAMES & BICYCLES	97.2	1.94	61.1	1.88	36.0	2.05
GARDEN/PATIO FURNITURE/ACCESSORIES	94.2	1.88	83.3	2.57	10.8	0.61
RECORDED SOUND AND VIDEO	91.0	1.82	39.3	1.21	51.7	2.94
COSMETICS & FRAGRANCES	89.0	1.78	66.9	2.06	22.2	1.26
SPORTING GOODS	87.0	1.74	59.5	1.83	27.5	1.56
KITCHENWARE	79.4	1 58	53.9	1.66	25.5	1.45
FURNITURE & RUGS	78.3	1.56	31.0	0.95	47.2	2.69
CLEANING SUPPLIES	70.7	1.41	49.1	1.51	21.5	1.22
INFANTS' & TODDLERS' WEAR	63.9	1.27	44.3	1.36	19.5	1.11
BOYS' WEAR	57.0	1.14	39.6	1.22	17.4	0.99
WATCHES	55.8	1.11	41.2	1.27	14 6	0.83
GIFTWARE (AAFES ONLY)	51.5	1.03	31.3	0.96	20.1	1.15
LUGGAGE	49.9	1.00	35.6	1.09	14.3	0.81
GIRLS' WEAR	47.1	0.94	30.7	0.94	16.3	0.93
YARDAGE AND SEWING GOODS	44.0	0.88	26.9	0.83	17.0	0.97
DINNER- & FLATWARE	37.3	0.74	22.1	0.68	15.1	0.86
TOTAL RETAIL DEPARTMENTS	$4.997	100.0	$3.242	100.0	$1.754	100.0

SOURCE: Sales by department reports from AAFES, NAVRESSO and Veterans Administration Canteen Service. Marine Corps and Coast Guard department sales are estimated, based on NAVRESSO and AAFES percentage distributions.

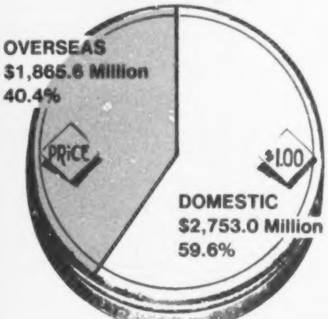


PERCENT OF EXCHANGE SALES BY SYSTEM WORLDWIDE CY 1982

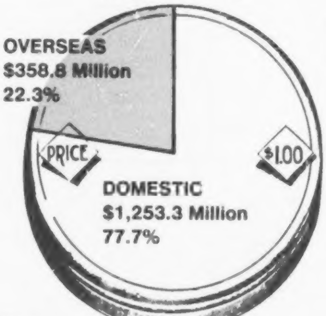
SYSTEM	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AAFES	$4,618.6 Mil.	67.1%
NAVY	1,612.1 Mil.	23.4%
MARINE CORPS	395.6 Mil.	5.8%
COAST GUARD	80.7 Mil.	1.2%
VCS	171.3 Mil.	2.5%
TOTAL	$6,878.3 Mil.	100%

Total exchange sales were nearly $6.9 billion in 1982. Domestic exchange sales accounted for 66.8 percent of total sales; overseas sales were 32.2 percent of total sales.

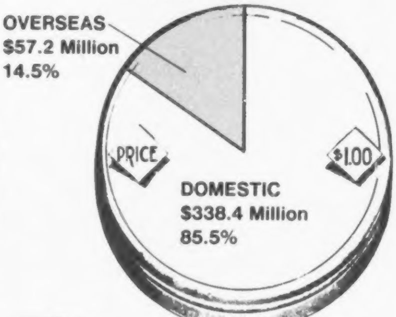
AAFES
WORLDWIDE
$4,618.6 Million

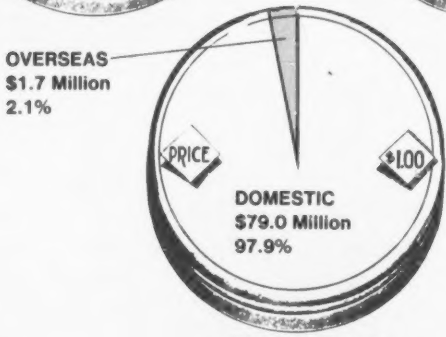


NAVY*
WORLDWIDE
$1,612.1 Million

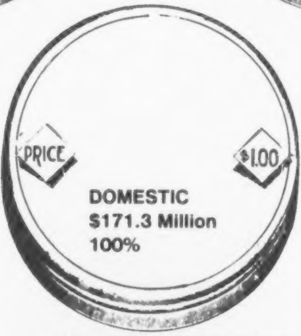


MARINE CORPS
WORLDWIDE
$395.6 Million





COAST GUARD
WORLDWIDE
$80.7 Million



VA CANTEEN SERVICE
WORLDWIDE
$171.3 Million

*Includes sales of ships stores.

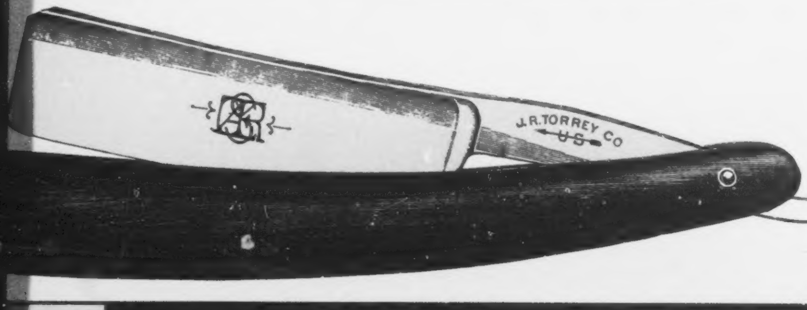
Commissaries

A category-by-category breakdown of sales in commissaries during CY 1982.

	WORLDWIDE		DOMESTIC		OVERSEAS	
	DOLLAR SALES	PERCENTAGE	DOLLAR SALES	PERCENTAGE	DOLLAR SALES	PERCENTAGE
FRESH & CURED MEAT, POULTRY & SEAFOOD	$1,105.6	24.7	$912.8	24.7	$192.8	24.7
DAIRY PRODUCTS	398.4	8.9	334.1	9.0	64.3	8.2
HOUSEHOLD SUPPLIES	398.7	8.9	321.9	8.7	76.8	9.8
CANNED FOODS	384.1	8.6	309.9	8.4	74.2	9.5
FROZEN FOODS	339.2	7.6	290.9	7.9	48.3	6.2
TOBACCO PRODUCTS*	271.4	6.1	231.3	6.3	40.1	5.1
BAKED GOODS	262.0	5.8	220.1	6.0	41.9	5.4
PRODUCE	205.9	4.6	170.0	4.6	35.9	4.6
PREPARED BEVERAGES	151.8	3.4	121.7	3.3	30.1	3.9
HEALTH & BEAUTY AIDS	132.3	2.9	109.3	2.9	23.0	3.0
BAKING NEEDS	130.9	2.9	107.7	2.9	23.2	3.0
PET FOODS	124.1	2.8	98.6	2.7	25.5	3.3
CEREALS	92.1	2.1	72.0	1.9	20.1	2.6
BABY FOODS	67.1	1.5	55.4	1.5	11.7	1.5
DRIED FRUITS, VEGETABLES & NUTS	53.7	1.2	44.4	1.2	9.3	1.2
SAUCES	46.2	1.0	38.0	1.0	8.2	1.0
SOFT DRINKS (NOT STOCKED BY NAVY)	44.3	1.0	37.5	1.0	6.8	0.9
SPREADS	42.1	0.9	34.7	0.9	7.4	1.0
CANDY & CHEWING GUM	40.8	0.9	34.4	0.9	6.4	0.8
DRESSINGS	39.9	0.9	31.7	0.9	8.2	1.0
PASTA PRODUCTS	28.8	0.6	23.7	0.6	5.1	0.6
DESSERTS & TOPPINGS	28.0	0.6	22.9	0.6	5.1	0.6
PICKLES, OLIVES & VINEGAR	26.3	0.6	21.7	0.6	4.6	0.6
SPICES & EXTRACTS	25.2	0.6	20.7	0.6	4.5	0.6
DIETETIC & LOW CALORIE	22.7	0.5	18.7	0.5	4.0	0.5
SYRUP	12.3	0.3	10.2	0.3	2.1	0.3
MISCELLANEOUS	2.1	0.1	1.3	0.1	0.8	0.1
TOTAL DEPARTMENTS	$4,476.0	100.0	$3,695.6	100.0	$780.4	100.0

*Tobacco products as a percentage of total sales are computed including sales of Navy and Marine Corps commissaries, which do not stock tobacco products. When computed as a percentage of sales of Army and Air Force stores, tobacco products are 7.6 percent of worldwide sales, 7.9 percent of domestic sales and 6.1 percent of overseas sales.

NOTE: Because of rounding, items may not add up to totals. All figures are estimated for CY 1982 for all services, including State Department Co-ops. Sales shown in millions of dollars and percentage share of total sales.

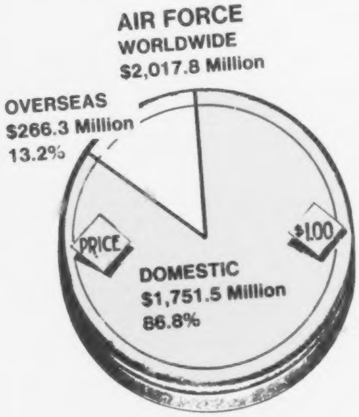


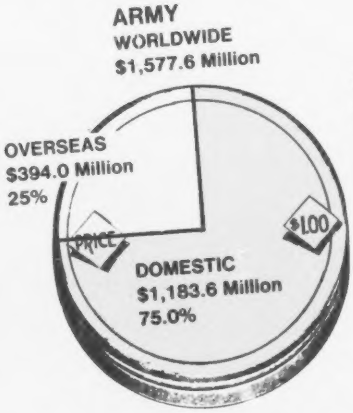
SALES GROWTH

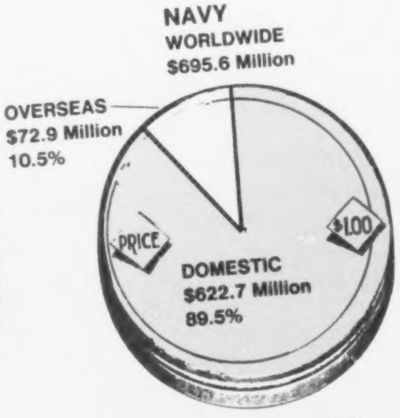
CY 1978 . . .	$3.3 BILLION
CY 1979 . . .	$3.6 BILLION
CY 1980 . . .	$3.9 BILLION
CY 1981 . . .	$4.2 BILLION
CY 1982 . . .	$4.5 BILLION

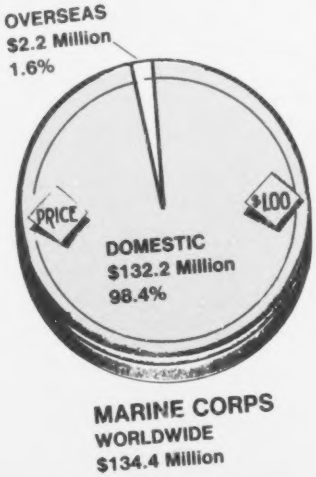
PERCENT OF COMMISSARY SALES BY SYSTEM WORLDWIDE CY 1982

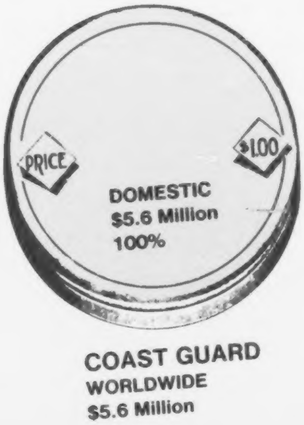
SYSTEM	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AIR FORCE	$2,017.8 Mil.	45.1%
ARMY	1,577.6 Mil.	35.3%
NAVY	695.6 Mil.	15.5%
MARINE CORPS	134.4 Mil.	3.0%
COAST GUARD	5.6 Mil.	0.1%
STATE DEPT.	45.0 Mil.	1.0%
TOTAL	$4,476.0 Mil.	100%

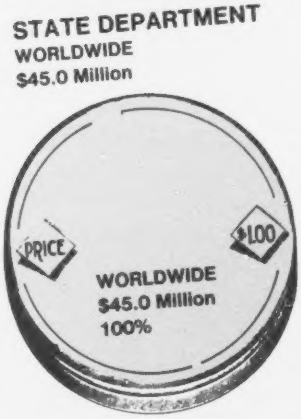












By the end of 1982 total commissary sales had surpassed $4 billion dollars. Overall, 82.6 percent of commissary sales originated in domestic outlets. Only 17.4 percent of the sales were rung up in overseas commissaries.

LARGEST SUPERMARKET CHAINS

	1982	1981
1 — Safeway	$17.6	$16.6
2 — Kroger	11.9	11.3
3 — Lucky	8.0	7.2
4 — American Stores	7.5	7.1
5 — Winn-Dixie	6.8	6.2
6 — Jewel	5.6	5.3
7 — A & P	4.6	7.0
8 — Worldwide Commissaries	**4.5**	**4.2**
9 — Grand Union	4.1	4.3
10 — Albertson	3.9	3.4
11 — Domestic Commissaries	**3.7**	**3.4**

$ in billions

SOURCE: Civilian supermarket sales as reported in the June 1983 issue of *Progressive Grocer*. Military commissary sales are as reported by the headquarters offices of the various commissary systems. Commissary sales shown include the surcharge.

LARGEST DEPARTMENT/VARIETY STORE CHAINS

	1982	1981
1 — Sears	$18.8	$18.2
2 — K mart	16.8	16.5
3 — J.C. Penney	11.4	11.9
4 — Worldwide Military Exchanges	**6.9**	**6.4**
5 — Federated Dept. Stores	6.4	5.9
6 — Dayton-Hudson	5.7	4.9
7 — Montgomery Ward	5.6	5.7
8 — Woolworth	5.1	7.2
9 — Domestic Military Exchanges	**4.5**	**4.2**

$ in billions

SOURCE: Sales of civilian department store chains are as reported by “Annual ‘Yardstick’ Report: The Top 100 Chains,” *Chain Store Age, General Merchandise Edition*, June 1983. Military Exchange sales are as reported by the headquarters offices of the various exchange systems.

COMBINED 1982 COMMISSARY AND EXCHANGE SALES

CY 1977	CY 1978	CY 1979	CY 1980	CY 1981	CY 1982
$7,454 Million	$8,123 Million	$8,890 Million	$9,863 Million	$10,640 Million	$11,354 Million

COMMISSARIES	**$4,476.0 Million**	**39%**
EXCHANGES*	**$6,878.3 Million**	**61%**
TOTAL	**$11,354.3 Million**	**100%**

*Includes sales by mail order, catalog, concessions, food service, personnel services, etc. Combined 1982 sales for commissaries and exchanges were well over $11 billion. Commissaries moved back up to eighth place among supermarket chains, while exchanges moved up one place among general merchandise chains for the second year in a row and are now in fourth place.

Air Force Commissary Service

"THE AIR FORCE Commissary Service has laid the groundwork for improvement in operations and patron service for many years to come.

"**Scanning and ADP.** Our program is off and running. Proposals from industry are now being evaluated, and late this year the first system, a development and test system for the headquarters, will be installed. Early next year we will be installing scanners and new data systems at the Kelly AFB commissary, and by early 1987 we will have the new system in nearly all of our stateside and overseas commssaries.

"**Not-in-Stocks**. Our aggressive program to combat not-in-stocks has resulted in stocked shelves in many locations and tightened controls in all our stores. Also, our customers now find signs on the shelves telling them when an item is due in. Our store managers are identifying items that are out-of-stock and working to successfully solve that problem.

"**Resets.** Almost 90 percent of our commissaries have been reset. Vertical merchandising and better shelf-space allocation have enabled us to speed up customer flow and keep fast-moving items on the shelf.

"**Overseas Pricing.** We took over stock selection of perishable product stored at the Felixstowe depot to give our customers service in the United Kingdom stores on the more popular items as well as better prices.

"**New Commissaries.** Our construction and rehabilitation program continues to provide improved and more cost-efficient stores for our customers. The Los Angeles Air Station commissary, completed in June, was our first new store in ConUS that did not replace an existing facility.

"**Revised Meat Pricing.** Our new procedures allow only a two percent adjustment for processing losses. This forces better management and assures that our customers are charged prices as close as possible to cost.

"**New Equipment.** We're pushing to help make our people work smarter by using equipment to reduce the manual workload. One example is the authorization for store managers to purchase portable phones. This makes the manager mobile and keeps him in constant touch with the warehouse, office, vendors and other people he must talk with to carry on everyday business. We have added ice machines in our produce departments and patty makers in many of our meat departments.

"**Personal Initiative.** Careful management of our civilian and military workforce is important. Our people participate in many types of courses and seminars to make them more proficient and professional.

"The future holds great promise for AFCOMS and the men and women we serve. Our focus remains unchanged. We will continue to do our utmost to provide authorized patrons with the best savings and service wherever they are."

Maj. Gen. George C. Lynch, USAF
Commander
Air Force Commissary Service

Army & Air Force Exchange Service

"DURING FY 1982 the Army and Air Force Exchange Service initiated a number of programs that will enable it to run more smoothly.

"The results of an in-store point-of-sale system test were so gratifying that installation has been scheduled for 20 ConUS stores that gross more than $1 million in sales annually and an additional 104 stores worldwide with annual sales exceeding $500,000 by FY 1986. All retail stores are expected to be equipped with this system by FY 1989 if communications capabilities exist.

"The system scans the Universal Product Code on merchandise, looks up the price in the in-store computer file and prints it and a description of the item on the customer receipt. It is estimated that 80 percent of all items AAFES sells could eventually be scanned by this system.

"Of the AAFES suppliers asked to assess their interest in the POS system, two-thirds indicated they already had or would have POS numbering on their products by 1984.

"The POS system will not only assure pricing accuracy, but will also eliminate individal item pricing. Down the line, check approvals, layaway payments, inventory control and other services will be added to the system, making one-stop shopping a reality in AAFES retail facilities.

"A similar POS system was implemented in AAFES food activities. Known as FOCIS (Food Operations Control and Information System), the system allows tighter control over food items, permits adjustments in menus based on customer preference and ensures pricing accuracy. More than 180 of the scheduled 400 units have already been installed.

"AAFES is continuing to study a distribution system realignment, which calls for a new warehouse on the East Coast by mid-1985, an upgrade of several existing warehouses and the downscoping or closing of several others. The plan, estimated to cost $182 million, will save AAFES $25 million annually through more effective utilization of space and personnel and better inventory management. It will also reduce the pipeline time on goods to Europe.

"To help customers get more for their dollar, AAFES continued to extend its line of house brand products during the year by adding 20 health and beauty aid items. It is expected that more house brand items will be added as the need arises and quality and supply are assured.

"Another money-saving program introduced was the off-price program, which permits AAFES to sell quality name brand items (mostly softlines) at savings of 30 percent to 60 percent. The program is made possible through special buys from manufacturers, usually at the end of the season.

"The AAFES Budget Special Program continues to be expanded. More than 300 items are now part of this program, including a requirement for 40 percent of all children's clothing.

"The pricing philosophy at AAFES continues to emphasize savings to customers. The most recent A.C. Nielsen survey confirms that savings in ConUS are almost 23 percent, and this is without the addition of applicable state and local sales taxes. AAFES achieves these savings through a viable markup policy, ranging from a zero markup on highly essential items to less than 50 percent for luxury items. While we try to maintain maximum commonality with the other military exchange systems, some differences occasionally occur as a result of the differences in organizational structures and operating policies.

"In other matters of interest to AAFES suppliers, there has been no change in the store visitation policy for vendor representatives. Vendors who have a contract requirement to visit stores may do so per the contract; those without such contracts may get temporary access by making an appointment in advance through the ConUS region/overseas system merchandising branch or division.

"AAFES continued to use minority vendors through its Minority Business Utilization Program, which began in 1970. Increases in concession, agency and vending were up 45 percent; procurement of merchandise, equipment and supplies were up 100 percent; and support services, construction, architectural and transportation rose 45 percent over last year.

"In FY 1982 AAFES had its best year ever. Sales were up 10 percent, net earnings were up 10 percent, and dividends to the morale, welfare and recreation funds of the Army and Air Force were up 12 percent, to $103 million.

"Out of each dollar spent by an AAFES customer, 72 cents went for retail merchandise; nine cents for gasoline, automotive and other services; eight cents for concession activities; seven for food; three in vending machines and one cent for motion pictures.

"Out of the retail dollar, 27.5 percent bought housewares and home furnishings; 21.5 percent clothing, linens and domestics; 12.2 percent food and beverages; 8.9 percent health and beauty aids, 7.7 percent sports and recreation items; seven percent military clothing; 4.6 percent stationery and greeting cards; 4.1 percent tobacco products; 3.6 percent watches and jewelry and three percent automotive supplies.

"For each dollar taken in, AAFES spent 95.6 cents for operations, including merchandise, personnel and utility costs. The remainder went almost evenly to MWR dividends and capital expenditures for new and improved AAFES facilities to service our customers.

"I have designated FY 1983 as a "Year of Challenge" in AAFES. I have challenged my employees to increase productivity and management creativity, reduce operating and overhead costs, provide better service to our customers and increase per capita sales.

"I challenge our suppliers to work with our buyers and procurement personnel to help us achieve these goals. AAFES represents an outstanding opportunity for selling products and services. More than 430 suppliers did more than $1 million worth of business with us last year — business that is not only valuable while our customers are part of the military, but as an aftermarket when they retire or leave the service.

"I challenge you to work with my people — for the benefit of our military customers and their family members, AAFES and, of course, yourself."

Maj. Gen. Richard D. Murray, USAF

Commander
Army and Air Force
Exchange Service

Coast Guard Activities

"COAST GUARD Nonappropriated Fund Activities rang up sales of $101.5 million during 1982.

"Exchange sales totaled $48.5 million, grocery $22 million, package store $15.6 million, clubs $5 million and miscellaneous $10.4 million.

"The three largest locations have major grocery and exchange operations: Cape Cod Air Station heads the list with $9.5 million in sales ($5.1 million in grocery); Mobile Aviation Training Center is second with $9.1 milliuon in sales ($5.5 million in grocery); and Group St. Petersburg is third with $7.3 million in sales ($3 million in grocery).

"During 1982 Coast Guard NAFAs made major strides in improving operating efficiency, despite difficult economic timnes and stagnant sales levels. By working closely with patron advisory groups, Coast Guard NAFA's started reshaping services around patron needs and the potential for patron benefit. Savings are either being invested in the activity to improve service, or are passed on to the customer in the form of lower prices.

"Strategies for 1983 build upon the gains of 1982 by requiring this evolutionary process to continue, by increasing the scope and frequency of manager training and by testing a protoype integrated POS system at two locations."

Cmdr. R.C. Waterman, USCG
Chief
NAFA Management Division
Office of the Commandant
(G-FNM)
U.S. Coast Guard

COAST GUARD commissary sales during FY 1982 amounted to a total of $5,486,559. These are based on sales at two stores: Kodiak, Alaska, and Governors Island, N.Y.

While the commissary at Petaluma, Calif., was converted to Nonappropriated fund status and became an exchange entity on September 1, 1981, there are no current or anticipated plans to similarly convert the two remaining Coast Guard commissaries.

Defense Logistics Agency

"IN 1747 Frederick the Great in *Introductions for His Generals*, wrote: "The greatest secret of war and the masterpiece of a skillful general is to starve his enemy. Hunger exhausts men more surely than courage, and you will succeed with less risk than by fighting."

"Throughout history, battles have often been lost because supply lines were stretched too thin and troops were starved into surrender by their enemies.

"Supplying the military services with a variety of wholesome, nutritious and appealing food is as vital today in peace time as it is during war.

"One of the major missions of the Defense Logistics Agency, a dynamic partner with the services in assuring the nation's readiness, is supplying the military services with the food required to maintain their fighting capability.

"Subsistence support is more than buying fresh fruits, meats and canned and packaged goods. It's development of modernized information systems; it's broadening the base of competition through commercial acquisition; it's opening a new subsistence terminal in London, and, unfortunately, it's having to prosecute those companies and their representatives who cheat the government.

"Recently, DLA was proud to add to its subsistence facilities a new terminal in London. Located in the historic Covent Garden Market, this terminal is responsible for providing food daily for more than 60,000 customers in the United Kingdom. While the terminal distributes approximately 100 perishable items to 15 commissaries in its region, much of the food is for troop issue and military hospitals.

"Our people in Europe estimate that more than six million pounds of fresh produce will be purchased each year at the market. In addition to overnight delivery, the European subsistence region will be able to offer savings of 50 percent to 200 percent on old prices of many items.

"In the field of automated information systems, a number of actions have occurred during the past year to support our worldwide subsistence mission at the Defense Personnel Support Center in Philadelphia.

"DLA has embarked on a course of action that we think should lead to significant improvements in support of our military and commissary customers and result in improved business relations with our suppliers — and all at a reduced cost of doing business for DLA.

"The Defense Integrated Subsistence Management System is being improved through the use of modern computer and telecommunications technology. DLA plans to implement a sophisticated Data Base Management System at DPSC that will provide management information and perform transaction processing in support of our worldwide wholesale inventory management, purchasing and distribution mission.

"The computer installation at DPSC is now connected in an online environment to the Defense Subsistence Region-Pacific and DSR-Europe regional offices, and the ConUS Defense Subsistence Offices. These offices have real-time CRT terminals and minicomputers to process customer orders, create vendor contracts/purchase orders and provide management information to the on-site operators in the field offices and at DPSC for their daily operations.

"DLA is planning to implement the new DISMS in an incremental manner. The first step has already been accomplished by connecting the ConUS DSOs into the DPSC computer, which permits the transmission of selected chill and freeze data and data entry of fresh fruits and vegetables transactions to flow directly betweeen the DSOs and DPSC.

"DPSC is now field testing a new Fresh Fruits and Vegetables Order/Receipt System and plans to deploy this on-line interactive (conversational) system through ConUS this year.

"As new applications are developed by DLA's Data Systems Automation Center, they will be deployed to the field activities in an incremental or phased manner. Each phase of redesign of DISMS will provide improved customer support and better and more timely interfaces with our suppliers. As DLA introduces new technology, such as Universal Product Code processing capability and interactive transaction processing with on-line data base information, DLA's worldwide support will be significantly improved.

"Another continuing agency initiative is the conversion of military specifications in the area of food products and food service equipment to commercial equivalents of established market acceptability. This is more commonly known as ADCOP or Acquisition and Distribution of Commercial Products.

"The ADCOP program is now established as one method of acquiring products and services in the federal government. Most aspects of the program are still fluid and the intent is for many of them to remain so to permit flexibility in acquiring a range of items as well as complex systems.

"Within DoD the ADCOP program is becoming more structured. Several important initiatives are currently under way, including:

"• Changes in policy on standardization of commercial products, which will permit inclusion of definitive part-numbering systems and quality assurance provisions in Commercial Item Descriptions. The proposed changes will also provide greater detail on conducting market research and analysis and place the responsibility for MR&A on the specification preparing activities in concert with item managers and the acquisition activity.

"The proposed changes also establish an order of preference for standardization documents. This order of preference is: nongovernment (industry or voluntary) standard, commercial item description, federal specification and military specification.

"• A proposed Defense Acquisition Regulation case has been developed and circulated for comments. When the comments are received, the proposed DAR case with comments will be submitted to the DAR Council for review and action. Recognition of the ADCOP program in the DAR will provide additional regulatory coverage and guidance.

"• Developing plans to implement that portion of Executive Order 12352, Federal Procurement Reforms, March 17, 1982, which emphasizes effective use of private sector capabilities and elimination of unnecessary government specifications.

"Within DLA, several commodity areas have received special emphasis regarding use of the commercial marketplace. These commodities include medical drugs and devices, food service equipment and subsistence items. Generally, we feel that stressing the ADCOP program in these areas has yielded positive results in the acquisition arena and customer satisfaction.

"While a number of aspects of the ADCOP program still require greater clarification, the program has been successfully administered in many areas. Clarification of "gray areas" in the program will occur as we gain greater experience in a broader application.

"The Defense Logistics Agency has always tried to assure that our customers receive fresh, nutritious food at a fair price. Contactors who fail to meet that criteria have been suspended or debarred depending on the outcome of investigations.

"Last fall we learned that a number of vendor representatives dealing with the Army commissaries in Germany were under criminal investigation for inflating orders to boost sales. These disclosures caused us a great deal of concern at DLA. Those inflated orders resulted in requisitions from the Army's Troop Support Agency that were filled by DLA under contracts awarded by DPSC in Philadelphia for hundreds of thousands of dollars' worth of unneeded items.

"The Army's investigation is now complete. Two individuals have been indicted on criminal charges; one of the two has been tried and found guilty of making false statements to the government. We're now considering what action to take against the others involved in this scheme.

"What happened in Europe seriously undermines the integrity of the commissary system, a system that by necessity depends on the basic honesty of vendor reps. We simply can't afford to do business with people who cheat the government or with companies that insist upon employing them. The large majority of companies and sales representatives who are honest are also the victims of those few who do not play by the rules.

"The administrative action that DLA takes in this regard should make it clear that we don't intend to continue to deal with people or companies that have demonstrated that they cannot be counted on to deal fairly with the government.

"These and other ongoing projects in the Defense Logistics Agency are designed to continue and enhance our timely and responsive support to the Armed Forces and improve their readiness."

Vice Adm. E.A. Grinstead
SC, USN
Director
Defense Logistics Agency

Marine Corps Commissaries

"THE SIGNIFICANT ISSUE regarding Marine Corps commissaries was the recent imposition of the commissary store standard surcharge. With the one percent reduction from the former Marine Corps surcharge rate, accumulation of income to support new equipment, facility construction and renovation programs will take longer.

"In anticipation of the reduced income, the Marine Corps commissary stores are employing aggressive marketing techniques to broaden their sales base. Among these are store resets, reduction of operating costs, increased hours of operation and replacement of antiquated equipment as funds become available. Contributing to the modern marketing strategies employed by the commissary stores are the continuing efforts of the Commissary Distribution complexes at MCAS, El Toro, Calif.; and MCB, Camp Lejeune, N.C., to seek discounts to the price of merchandise.

"Support to the MCAS, Iwakuni, Japan, commissary store from the West Coast Commissary Distribution Complex commenced Oct. 1, 1982. The complex's buying power is now available to our Marines and families who shop at the Iwakuni store; they are experiencing a wider selction of items and lower prices. Also, lead time from store order to delivery was reduced from 90-120 days to approximately 30 days. Minimum order quantities, which created excess on-hand stocks, out-of-code dates, and in-transit damages were eliminated. The Central Distribution Center at Camp Lejeune supports Cherry Point daily and Parris Island once a week for slow moving items. The concept of remote storage sites allows the distant stores to maintain stock of certain selected itemsthat are bulky, heavy and fast moving.

"The initial start-up and problems experienced by the East Coast were comparable to the West Coast's implementation and the time necessary to adjust to the re-buy/purchase order system. We are confident the system will continue to improve as it accumulates data to accurately forecast demand.

"A major challenge for Marine Corps commissary stores is to maintain a viable, high quality commissary store construction and renovation program, in the light of reduced income. The latest store opening was October 1982 at MCLB, Albany, Ga., and plans are 35 percent complete for the new facility scheduled to open January 1985 at MCLB, Barstow, Calif. Store renovations include an expansion project at the Camp Pendleton, Calif., store, which will increase the checkout and display areas. Subject to the availability of funds, a renovation project at the Twentynine Palms command, to increase the sales area by 5000 square feet, will be considered.

"The future of the Marine Corps commissary program is an important concern to our Marines, their families and other servicemembers. The reduction of surcharge revenues requires all concerned to make a bona fide effort to reduce expenses and increase sales, to demonstrate watchfulness and competence in managing accumulated income and to employ various marketing strategies to broaden the sales base.

"With the continuing improvements gained by complexing efforts, improved management techniques and new and upgraded facilities, commissary patrons will continue to receive the benefits of quality service and lower prices."

Brig. Gen. Louis H. Buehl, USMC
Director
Facilities and Services Division
Installations and Logistics
Department

Marine Corps Exchange System

"THE MARINE CORPS has a long-range goal of providing on each of its bases and stations a convenient one-stop shopping area that houses, in close proximity to one another, all authorized resale and service activities in modern facilities with adequate parking. The Marine Corps also has the goal of providing its authorized patrons with the goods they want at a 20 percent or better savings over the competition within easy driving distance of the base. And finally, the Marine Corps has the goal of generating enough revenues from exchange operations to adequately support the Marine recreation program.

"How successful has the Marine Corps been at reaching these goals?

"Of the 21 major bases with exchange complexes, the Corps evaluates its exchange facilities as follows: 10 are "excellent to outstanding," nine "adequate" and two "inadequate." Replacements for the two inadequate exchanges at Camp Elmore and Henderson Hall, both in Virginia, are under way. Completed and put in operation in 1982 were the main exchange complex at Cherry Point, N.C.; three branch exchanges at Camp Lejeune, N.C.; and a fast-food restaurant at Twentynine Palms, Calif. The Corps will continue to invest about $7 million a year in exchange facility improvement.

"The goal of providing patrons what they want at a 20 percent savings was met by the system but not by all exchanges within the system. Total exchange sales in 1982 were $395.6 million, an increase of 6.4 percent over 1981. Not bad, when one considers the Corps' population is stable and the inflation rate for department store merchandise in 1982 was 2.8 percent, leaving a real growth of 3.6 percent. Six exchanges did not have sales growth equal to, or better than, the inflation rate, indicating we failed to provide patrons with what they wanted at the right price. By patron and external survey, we are comfortable with our pricing policies. To better meet demand in 1983, the Marine Corps Exchange management will make a slight shift in emphasis by spending more time determining what our patron desires, and less time scouring the marketplace for merchandise sources.

"Marine Corps exchanges generated $24.9 million in profit in 1982, which was 6.3 percent of sales. This allowed a donation of $15.1 million to support recreation programs. A new policy relative to the support of local recreation funds was adopted in 1982, which guarantees annual support of $50 per man at each command with an exchange regardless of the exchange profit generated. For those exchanges that are marginal profit makers, increased emphasis is being placed on efficient operation of the services, such as the barber, beauty, dry cleaning and optical shops as well as the laundries that are provided through the exchange.

"In summary, Marine exchanges have logged another successful year."

Col. W.R. Irwin, USMC
Head
Marine Corps
Exchange Service Branch

Navy Resale & Services Support Office

THE NAVY EXCHANGE business strategies, developed in 1981, were implemented last year with very good results. Strategies focused on three major areas of the business during FY 1982: providing measurable savings to authorized patrons; recapitalizing the program and increasing funds generated to support Navy MWR programs. Each of these was successful.

An independent price comparison survey was conducted by a nationally known market research firm in eight ConUS exchange marketing areas in February 1983. Results, computed by the research firm, show that savings at Navy exchanges are greater today than they have been for some time. Navy exchanges provided an overall savings of 23.3 percent when prices were compared with those in the commercial sector.

The business strategy really took hold in cost containment and improved profit. Net program profit for FY 1982 was $70 million, an increase of 19.5 percent over the previous year. The strong profit performance enabled Navy exchanges to provide $44.3 million in support to Navy MWR programs. This exceeds planned contributions by $1.3 million. The balance of the profit is reinvested in the business in terms of renovation and construction of facilities, purchase of new equipment and the increased cost of inventory.

A review was made of the strategies by top managers from the field and the headquarters in April. Based on system performance and current economic conditions, the strategies were updated, successful strategies were given greater emphasis and those proven to be of minimal value were dropped. The thrust for 1983 is sales, continued savings for exchange customers and improved marketing programs with renewed emphasis on serving the enlisted community better.

NAVRESSO will continue those programs that have provided significant savings for our enlisted personnel: the Navy Exchange Private Label, Budget Merchandise and Green Tag specials.

Customer response to the Navy Exchange Private Label exceeded expectations. Sales for the first few months were $400,000 higher than anticipated and sales for the first quarter of FY 1983 were approximately $1.5 million.

First introduced in October 1982, the initial 52 items were well received by patrons who enjoyed savings of up to 40 percent. To date, 67 items are available in Navy exchanges, including recently introduced cough and cold preparations, sanitary napkins and fitted disposable diapers. In August private label vitamins are scheduled to be included in the line of Navy Exchange Brand items. On all private label merchandise, quality assurance is maintained through periodic testing of products at random from the store shelves.

NAVRESSO is projecting sales of about $8 million in its private label products for this year. Indications are that the sale of national brand items have not decreased significantly. Exchanges consider private label sales to be additional sales from customers who were shopping at commercial stores for their private label merchandise.

Budget merchandise continues to be an integral part of the merchandise selection at Navy exchanges. Budget sales increased by $5.4 million in FY 1982. The parade of increases was led by family shoes and junior sportswear, which showed sales increases of 56.6 prercent and 55.3 perrcent respectively in Budget Merchandise. Overall sales in budget items is expected to reach $28 million this year.

The new Fashion Distribution Center in Bayonne, N.J., opened in April. The center, occupying 40,000 square feet, has an integrated power and manual conveyor system to process both hanging goods and flat merchandise.

More than $2.5 million worth of garments were processed in the first month of operations, primarily women's ready-to-wear. By late summer, the center will be processing a full range of seasonal and fashion wear for men, women and children. It is anticipated that about $30 million in soft goods will be processed by the center annually. In FY 1983, a savings of $380,000 are anticipated as a result of lower freight costs and consolidated purchase orders.

Sales promotion is being given more emphasis this year. Major sales events include the Spring, Back-to-School, Navy Birthday and Christmas sales. These are supplemeted by 64 departmental sales events throughout the year, which are supported by sign kits, flyers with color photographs and other promotional materials produced by NAVRESSO and provided to exchanges. Additionally, Navy Exchange Sales Events are being advertised in various publications read by Navy people.

NAVRESSO and Navy exchanges are using vendor co-operative advertising support whenever it is available. Vender co-op advertising support is applicable only when reduction in price in lieu of advertising allowances cannot be obtained. All products included in NAVRESSO promotional advertising are selected on the basis of their contribution to achieving customer traffic into the exchange and their popularity as good values. A product is not advertised solely because vendor advertising allowances are available, nor is a product excluded from advertising because of a lack of vendor advertising allowance.

As the marketplace changes, the Navy Exchange Program has to review its methods of doing business in order to remain effective.

Direct purchases from prime sources has been the general procurement policy under which Navy exchanges operate, and with few exceptions, NAVRESSO continues to purchase directly from prime sources. However, certain classifications of merchandise traditionally have been purchased through wholesalers and distributors. These include cigars and smoking accessories, frozen foods, records and tapes, paperback books and magazines. This decision to use wholesalers in these classifications has been beneficial for the entire system.

Working closely with the field, NAVRESSO is taking a look at the subject of buying candy and certain other categories from a distributor. This procedure is being evaluated, and the advantages and disadvantages are being reviewed to arrive at a decision based on sound business judgment that fully considers the economics associated with distributor vs. direct buying.

Efforts have been under way to improve the operations of exchanges that were performing below their potential. During FY 1982 Navy exchange operational assistance teams visited 41 exchanges to improve operations and profitability. Travel and per diem costs associated with team visits were about $100,000; however, the exchanges that were visited generated $3.7 million more in profits in FY 1982 than in the previous year — a very nice return on a $100,000 investment.

Assistance team visits are continuing this year with additional emphasis on merchandising to improve sales growth and strengthen inventory control. In all, 38 exchanges with potential for marked improvement will be visited this year.

New and replacement Navy exchange facilties continue to come on line. So far this year, Navy Exchange Shopping Centers have opened at Willow Grove, Pa., Roosevelt Roads, Puerto Rico, and Atsugi, Japan. A big shopping center will be opening in August at Miramar and a sporting goods center is scheduled to open in September at Norfolk.

The Navy Exchange Program continues to make progress in its goal of serving the men and women of the Navy and the Navy family.

IN THE NAVY Commissary Store Program, sales for the first six months of FY 1983 were $346.9 million, an increase of 1.5 percent over the same period last year. Adjusted for inflation and three fewer selling days, real sales growth was 2.2 percent. Grocery sales were $259.7 million, which is 2.5 percent higher than last year, and this indicates a positive customer response to an improved product mix and an expanded product line as a result of the commissary business strategy.

Savings at Navy commissary stores in ConUS were 20.9 percent, validated by the same independent marketing research firm that conducted the price comparison surveys of Navy exchanges. NAVRESSO anticipates that the savings at commissary stores may be even greater than what the survey results showed because at the time of the survey, Navy commissary stores had a variable surcharge averaging 6 percent in place. A month after the survey was conducted, Navy commissary stores implemented a standard five percent surcharge, which provides even greater savings to commissary store shoppers.

Implementation of the standard surcharge has generally gone smoothly. Most patrons understand why the method of applying the surcharge was changed from including the surcharge in the shelf price to applying it at the cash register, as a result of an intensive customer information program. However, there are still some patrons who feel that the surcharge is some sort of a tax that they never had to pay before. The OICs are continuing to educate commissary patrons about the surcharge.

To provide better sevice to patrons, NAVRESSO has launched two tests projects, one at Charleston and another in San Diego. In February 1983 NAVRESSO received appoval from the chief of Naval Operations to conduct a one-year test sale of cigarettes and soda at the commissary stores at the Naval Station and Naval Weapons Station, Charleston. Results of the first two months of the test show that overall commissary sales at these two stores were up by 17 percent, and the percent of cigarette and soda sales to total grocery sales was 9.8 percent. This indicates an increase in customer traffic. Results will continue to be analyzed during the test period.

The second test will begin shortly in the San Diego area to determine the effectiveness of receiving direct commissary store support from a single distributor. Analysis of sources of supply showed that a single supplier provided more than 40 percent of the merchandise stocked by Navy commissary stores in the area.

Under the test procedures, the stores will transmit their orders directly to the distributor, who will pack, label and palletize merchandise in shelf-stock quantities for delivery to the stores. This method is expected to enable patrons to select from 7500 to 8000 line items, vs. the ConUS average of 5000 items; products will be fresher and the stores will have a higher in-stock position. Funds saved on commissary store warehouse labor can be reprogrammed to the hiring of additional cashiers so that stores can operate for more hours.

Additional benefits that can be derived from this test include a reduction of commissary warehouse cube by about 40 percent, less inventory investment and higher stock turns.

NAVRESSO is looking into other areas in which stores depend on a single distribution source with a view toward conducting similar tests.

A major initiative of the Commissary Sore Business Strategy is to increase store hours of operation to provide more convenient service to patrons. Surveys have been conducted at all commissary stores to determine which days and hours are most desirable for patrons. Within existing labor resources, several commissary stores (Jacksonville, Little Creek, Great Lakes, Moffett Field, Miramar and Pearl Harbor) have expanded hours of operation. Overall, there has been a net increase of 124.5 operating hours per week in the first half of FY 1983.

With the implementation of scanning systems at Newport and Pearl Harbor, there are now 29 Navy commissary stores with scanners. These stores represent 73 percent of the total number of cash registers in ConUS and account for 80 percent of ConUS sales. Current plans call for the installation of scanners at Bangor and Memphis by the end of this fiscal year.

The new commissary store at Pensacola is the first scanning site in the Navy Commissary Store Program to begin scanning meat department items. The feasibility of incorporating this feature at Pearl Harbor is being investigated and modification of other store scanners to accomodate meat scanning will be considered if the results at Pensacola are good.

Fifty-three Navy commissary stores have been identified for contracting out of night shelf stocking under the Commercial Activities Program. Of these, 26 contracts have been awarded and 24 are in various stages of the contract process. The National Industries for the Severely Handicapped has been identified as a potential contractor for 24 of the commissary stores; 15 contracts have already been awarded and others are in progress.

The Navy Commissary Store facilities improvement program includes three new store openings this fiscal year. A new commissary store, colocated with the Navy exchange, opened at NAS Pensacola in April. The new store includes a bakery, deli, and expanded grocery, meat and produce departments. Two new stores will be opening in August — a 77,000 square-foot store at Miramar and a 44,000 square foot store at Bangor, Wash. Delis and bakeries are included at each of these new stores. Navy commissary stores are working toward providing the kind of service that draws customers who have turned to shopping elsewhere back into their stores on base by providing better merchandising and promotions and friendly and efficient service in clean and attractive facilities. The goal is to improve the commissary stores and thereby improve the quality of life for the patron.

State Department Co-operatives

THE STATE Department's Office of the Deputy Assistant Secretary for Operations provides general policy and guidance for some 120 American employee recreational associations at diplomatic posts worldwide. These associations are voluntarily organized at-post to provide benefits for all U.S. government employees and their families in the area and are supported entirely by nonappropriated funds.

One of the communications media used by this office to offer guidance is its quarterly newsletter, *The Newsgram*. Because of logistics difficulties in many areas of the world, the newsletter is distributed by cable.

Most association stores are very small, carrying only limited quantities of staple food items that Americans consider to be the ingredients of a balanced diet. Many of the associations also carry liquor and cigarettes. The American brands are desired by the employees, and they are in demand at the many functions a diplomatic post supports.

Some of the associations also receive income from snack bars, clubs, recreational facilities and rentals of vehicles and cabins. Space and facilities are provided by the State Department, but the associations are fiscally responsible only to themselves.

Shipments of food items are not coordinated by the State Department. Most of the local associations have been in existence for years, and each association hires its own civilian manager (usually a national from the host country) and this manager makes his or her own procurement arrangements.

Arrangements are varied. However, typical arrangements are with stateside wholesalers who specialize in overseas shipments. These wholesalers work out arrangements with dispatchers (freight forwarders) to deliver foodstuffs and other items to the overseas locations.

There are long-established buying patterns with wholesalers and dispatchers in Miami and New York on the East Coast and with NAVRESSO on the West Coast. NAVRESSO sells and delivers goods under a letter of understanding between each individual association and NAVRESSO's supply depot in Oakland, Calif. Occasionally, some associations purchase from other DoD locations.

In any case, the association members pay for the purchasing and delivery services through the markup on merchandise and through a deposit made to their local association. The deposit usually runs several hundred dollars, and is refundable when the individual or family is reassigned.

Prices charged at the State Department associations tend to be high by commissary standards because they must also include a markup to cover the transportation cost and the cost of the civilian manager hired by each local association. Often 30 percent to 40 percent of the price paid for merchandise is to cover these costs.

In 1982 worldwide sales for the system were estimated at about $50 million. This figure includes income from the sale of food, liquor, cigarettes and from other association activities, such as operating snack bars, clubs, swimming pools and tennis courts.

Troop Support Agency

"We in the Army commissary business are dedicated to improving service and savings by increasing sales to our authorized customers, and we are making real progress. Army commissary sales totaled $1.5 billion last year, and we predict more real growth of about $4 million to $5 million in 1983.

"Since last July, TSA has opened five commissaries and annexes. Each time we open a new store or annex or build new, larger stores to handle increased sales, the challenge must be met by stretching our present resources. Our long-range program for construction of new commissaries calls for 20 new stores during the next five years. The program is funded entirely with customer surcharge dollars. These larger, modern structures will support more adequate display of products and meet customer needs.

"I'm proud to announce that TSA is the first of the military commissary systems to initiate the multi-stop container shipment to Europe. Using this system, one container is used to transport subsistence items to more than one commissary overseas; in the past one container was used for each commissary. Using multi-stop, our commissaries with limited storage space can order smaller quantities, thus conserving space for other desired products and reducing transportation costs of these one-container shipments. We recently told the Defense Personnel Support Center that we want to increase multi-stop shipments from six to 19 monthly. Initial expansion shipments should begin arriving in Europe in July.

"We are proceeding with studies concerning contracting out of Army commissaries, the reorganization of the European Commissary Region and other management initiatives that should improve the efficiency of the Army commissary system and better enable us to continue to provide quality merchandise at the lowest practical cost for our soldiers, family members and other authorized customers."

Brig. Gen. Eugene L. Stillions Jr.
USA
Commander
U.S. Army Troop Support Agency

TSA, in accordance with guidance set forth in Office of Management and Budget circular A-76 for the Commercial Activities Program, reissued solicitations to private industry March 25, for store operation functions (storage and issue, shelf stocking, produce and meat processing and checking) at Fort Leonard Wood, Mo., and Yuma Proving Ground, Ariz., commissaries. The solicitation period closed May 16.

The Source Selection Evaluation Board convened at TSA on May 23 to begin evaluating the firm bids submitted by private industry. The board's first consideration in the evaluation process to determine the most responsible and responsive bidder is that the contractor be technically capable. The second phase of the process is the cost evaluation. Selection of the most responsible and responsive bidder is scheduled for July 15. Once the selection is made, a detailed cost comparison analysis will be made between the government's in-house bid and the contractor selected. Completion of the cost comparison is scheduled for July 22.

Conversion to a commercial contract will be considered only if the cost comparison indicates contracting will be more cost effective. A successful bidder would be one that indicates he can operate the commissary at a 10 percent savings in personnel costs. The conditional award is scheduled for July 29 after which a public review period will follow. The study is scheduled to be submitted to Department of the Army Aug. 19 for approval. Conversion, if that is the decision, is scheduled for Dec. 1.

The Automated System for Army Commissaries has been converted to VIABLE equipment at Headquarters, Northeast Commissary Region, Fort Meade, Md. Other regions will be converted as VIABLE is extended to those sites. This transition is the first step in achieving state-of-the-art technology in commissaries. VIABLE will be extended to the stores initially for input, editing and balancing, telecommunication of data for batch processing in ASAC at the region and reports back to commissaries. Commissaries will also have on-line inquiry capability against the ASAC data base. Regions will have interactive capability for cataloging functions such as adding new items and price changes. VIABLE is suited for automation to support central management under the ASAC which will be replaced by the Army Commissary Automated System.

Scanning is operational in the commissaries at Forts Lee, Va., Belvoir, Va., and Benjamin Harrision, Ind. Scanning has been approved for the new store at Fort Leavenworth, Kan.

Although TSA publishes the Commissary Authorization List which provides a listing of commodities authorized for stockage in Army commissaries, it does not publish a mandatory line item stock list. Detailed and specific guidance is left to the discretion of the regional office. Commissaries are authorized to stock 4000 to 6500 line items with regional approval.

Product selection, shelf space allocation and store resets are joint region and commissary functions. The merchandise committee, composed of region personnel and commissary officers, meets quarterly to review items offered for addition or deletion and items in the regional master catalog.

Product movement, store size and configuration determine actual shelf space allocation for each commodity or line item. Whenever a store or commodity reset is needed, the region and commissary work together to accomplish the reset. Complete store resets are done prior to new store openings and during nonoperational periods. Generally, regions reset one or two commodities at a time in conjunction with commodity review. In some instances, vendors provide assistance for resets of commodities that relate to their product line.

The primary mission of the Army commissary system is to provide quality merchandise to authorized customers at the lowest possible price. The latest triennial survey, conducted throughout Army commissaries in the United States, revealed customer savings of 24.91 percent.

Since October 1 when the Prompt Pay Act became effective, interest payments have amounted to only $557.42 on disbursements of $587.8 million. Discounts earned amount to $2.4 million for the same period.

It has had considerable impact on personnel at the store, region and TSA headquarters. Store employees must forward receiving reports expeditiously so that the regional headquarters can meet the prescribed due dates. The region or TSA headquarters must return invoices to the vendor if they do not contain valid data.

An efficient suspense file system is a "must" to insure that payment is made by the due date to preclude the payment of interest or early payments. Continental U.S. commissary regions have had to hire additional personnel to perform associated tasks that are required to comply with the terms of the Prompt Pay Act. In addition, TSA personnel work overtime each month. Their efforts are obvious.

The 1983 Department of Defense Appropriation Bill establishes a ceiling of $590 million as the amount of appropriated funds which may be used for commissary support for all services. This ceiling covers military and civilian personnel and nonpersonnel costs including those for overseas transportation authorized by DOD directives.

The Congressional ceiling imposed on DOD is not intended to decrease the level of commissary support to soldiers and their families and other authorized customers, but is imposed to make the system more efficient and to assure compliance with existing laws and regulations.

Several actions are underway to improve the operations of the European Commissary Region, Zweibrucken, Germany. One of the major actions is to reorganize the region. The very size, dispersion and complexity of the Army Commissary System in Europe has presented a tough management challenge. These challenges were highlighted when problems surfaced in spring 1982 that focused on EURCOR's interface with suppliers and the need for stronger controls against fraud and abuse. There was an investigation to isolate the alleged cases of fraud and two vendors were indicted. A special Army Task Force was formed to review the voluntary price reduction and item selection procedures.

During the investigation, the systemic factors of a very broad span of control and lack of adequate automatic data processing and telecommunications support surfaced. Reorganization to reduce the span of control had been studied before and the data systems support needs were reorganized.

Based on the findings and recommendations of the initial Army Task Force, TSA formed the EURCOR '82 Task Force to implement the approved plan. One objective was to reduce the region's span of control. For this purpose, an intermediate level of mangement or districts will be established. Seven districts are being formed to oversee the operations of approximately seven to 14 subordinate commissaries. Districts will report to EURCOR headquarters.

The reorganization will be supported by an operational distributed data processing system using commercial dial-up batch telecommunications daily from annex to store and stores and districts to a regional data center. The RDC will actually provide the central processing and telecommunications support for automated system and property accountability. The region will be supported by on-line interactive terminals to the RDC. Each district and commissary will also have and operate remote minicomputers that serve as job entry stations supporting front-end processing and machine to machine communications. Annexes and commissaries will utilize portable data entry devices to further support source data entry and telecommunications. System outputs from the RDC will be telecommunicated to the appropriate user.

The Agency's objectives for the reorganization are to strengthen the organization in Europe for management, control and operation of commissaries by establishing the new districts that reduce the region's span of control and improve operational support; provide a distributed data processing system with telecommunications between annex, commissary, district and region; provide for single "source document" commissary level input to record or update supply and financial records; provide a data base of complete and timely data for retrieval by management; minimize manual records at the store; maintain proper audit trail and automate store property accounting.

The system is being done inhouse within the Army, is on schedule and is expected to be operational early next year.

Veterans Canteen Service

THE VETERANS Canteen Service is a widespread organization with canteens in each Veterans Administration medical center — 172 in all, including one in San Juan, Puerto Rico. For the first time in VCS' 37-year history, in February 1983, all canteen chiefs were brought together with key field office and central office staff for a national VCS conference in St. Louis, Mo. The conference theme was "One VCS."

During the four days, the chiefs received intensive training sessions in food and retail merchandising, personnel and labor relations, communications and time management. They also participated in sessions that gave an overview of the VA's building management, procurement and supply and security activities. They toured the national VCS Finance Center, where they received a comprehensive orientation to the VCS' financial operations.

At the conference, VCS' newly appointed director, Richard E. Percival, personnally presented plaques to the 22 chiefs whose canteens received the coveted Outstanding Canteen Performance Award for 1982. Mr. Percival has been with the VCS for 35 years and served as deputy director for operations prior to being named director.

The finance center is undergoing a certain amount of renovation in preparation for Phase I of the ADP financial management information system. It is expected to be operational by Oct. 1. Once installed, the system will enable VCS to gather and process financial information in a more efficient and timely manner. For example, VCS' current system produces financial reports on a quarterly basis. The new system will produce statements of income and expenses, departmental inventory data sales and budget information, accounts receivable data, accounts payable and other data on a monthly basis.

It will also provide access to all data base files from VCS' central office and the three VCS field ofices. This will give VCS' central office and field office management the oportunity to design and extract any report involving their areas of jurisdiction. A second phase, which involves on-line recording of transactions through the NCR cash register network at all canteens, is under consideration for installation in the near future.

As a congressionally mandated, independent organization within the Veterans Administration, VCS is charged with providing items or services of convenience or necessity to America's hospitalized veterans. VCS runs retail stores, cafeterias and vending machine food operations and offers such services as barber and beauty shops, dry cleaning and laundry, flowers, magazines, newspapers and photo developing. A secondary mission is to feed VA personnel, visitors and volunteers at the medical centers.

In FY 1982 VCS took in a total of $170,271,703. Retail sales were $100,480,853, and all food sales were $65,241,555. Barber shops and other services contributed $4,549,295. Through its revolving fund and from these sales, VCS paid all its expenses, including salaries (there are approximately 3800 VCS employees nationwide). VCS makes an annual payment to the VA for rent, utilities and other services provided by the medical centers. By using income from its larger operations to help defray the costs of smaller, less profitable canteens, the VCS is able to offer the same high level of service at each of its canteens, including the smallest and most remote.

VCS recognizes that its clientele is different statistically from those who shop the usual retail store. Generally, its customers are older, often in failing health and not well-to-do. It is very important, therefore, that VCS personnel always conduct themselves courteously, effectively and with a sense of caring. VCS has always emphasized such training for its employees. Each canteen holds weekly training sessions, field offices (with central office assistance) hold food and retail workshops, and the central office prepares various training materials for use throughout the service.

The latest project to be introduced is an extensive cash register training program. By increasing accuracy and efficiency at the checkout line, VCS customers are better served. The new program includes an operator's manual for each cashier, a loose-leaf supervisor's manual with training exercises and two 20-minute videocassettes (one for retail cashiers and one for cafeteria cashiers), which spotlights courteous behavior.

In 1982-83 VCS initiated an entirely new supervisory report system, eliminating many of the forms and updating others. A narrative report is now expected from each supervisor when a full or partial supervisory visit at a canteen is completed. This narrative gives the reader a more complete picture of exactly how an individual canteen operates. It is especially helpful to those who deal with the canteen, but are not part of VCS itself, such as the medical center director. To introduce the new report system, a supervisors' conference was held in December. Supervisors also took intensive courses in communication skills and time management. The conference was so successful that it is being repeated in 1983 with new course material.

Since canteens are located in VA medical centers, there must be a good rapport between the VCS and medical center directors and staff. A VCS advisory group was estalished. It is made up of five medical center directors, the three VCS field directors and three canteen chiefs. The group formulates ways to achieve better communications and cooperation between VCS and other center elements.

Internally, VCS established a council of chiefs comprised of six chiefs nominated by their peers to serve. This council has already met in St. Louis and participated in the evaluating of proposed financial reporting requirements. Future meetings will be scheduled and agendas established by the council itself.

Besides fulfilling its mandate to provide retail items and services to America's hospitalized veterans, the VCS serves as a morale booster. It offers a social environment that is also therapeutic — a store in which to shop, a cafeteria in which to relax, a place to bring friends and relatives for a cup of coffee. The veterans are pleased. In a recent VA patient satisfactory survey, VCS personnel received a 92 to 96 (on a scale of 100) score for attitude. The 74,000 randomly selected patient customers who gave their opinion of various VA medical center programs were saying that VCS employees rate among the VA's best.

Military Market INDEX

COMMISSARIES

		MARCH			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AIR FORCE	CONUS	$160,886	$138,695	+16.00	$429,588	$394,835	+8.80
	OVERSEAS	31,829	27,609	+15.28	86,010	79,473	+8.23
	TOTAL	192,715	166,304	+15.88	515,598	474,308	+8.71
ARMY	CONUS	108,680	99,216	+9.54	307,112	286,000	+7.38
	OVERSEAS	35,672	29,640	+20.35	102,544	87,152	+17.66
	TOTAL	144,352	128,856	+12.03	409,656	373,152	+9.78
NAVY	CONUS	49,454	51,209	-3.43	147,254	148,319	-0.72
	OVERSEAS	5,762	6,051	-4.78	17,007	17,578	-3.25
	TOTAL	55,216	57,260	-3.57	164,261	165,897	-0.99
MARINES	CONUS	12,189	11,943	+2.06	33,828	32,196	+5.07
	OVERSEAS	197	188	+4.79	538	498	+8.03
	TOTAL	12,386	12,131	+2.10	34,366	32,694	+5.11
COAST GUARD	CONUS	317	234	+35.47	862	835	+3.23
	OVERSEAS	161	196	-17.86	554	594	-6.73
	TOTAL	478	430	+11.16	1,416	1,429	-0.91
ALL COMMISSARIES	CONUS	331,526	301,297	+10.03	918,644	862,185	+6.55
	OVERSEAS	73,621	63,684	+15.60	206,653	185,295	+11.53
	TOTAL	$405,147	$364,981	+11.00	$1,125,297	$1,047,480	+7.43
GROCERY STORES	U.S.[1]	$20.123 bil.	$18.956 bil.	+6.16	$57.442 bil.	$55.387 bil.	+3.71

EXCHANGES

		MARCH			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$221,807	$215,434	+2.96	$606,475	$581,583	+4.28
	OVERSEAS	154,077	148,239	+3.94	434,141	413,707	+4.94
	TOTAL	375,884	363,673	+3.36	1,040,616	995,290	+4.55
NAVY	CONUS[2]	82,908	83,797	-1.06	223,866	226,917	-1.34
	OVERSEAS[2]	36,700	33,670	+9.00	98,579	94,439	+4.38
	TOTAL[2]	119,608	117,467	+1.82	322,445	321,356	+0.34
MARINES	CONUS	29,441	27,916	+5.46	76,702	78,328	-2.08
	OVERSEAS	4,974	4,808	+3.45	14,559	13,413	+8.54
	TOTAL	34,415	32,724	+5.17	91,261	91,741	-0.52
COAST GUARD	CONUS[3]	5,989	5,944	+0.76	16,227	16,346	-0.73
	OVERSEAS[3]	817	663	+23.23	2,212	1,822	+21.41
	TOTAL[3]	6,806	6,607	+3.01	18,439	18,168	+1.49
MAIL ORDER	CONUS[4]	1,056	1,450	-27.17	4,014	3,226	+24.43
	OVERSEAS[4]	3,426	4,941	-30.66	12,011	11,149	+7.73
	TOTAL[4]	4,482	6,391	-29.87	16,025	14,375	+11.48
ALL EXCHANGES	CONUS	341,201	334,541	+1.99	927,284	906,400	+2.30
	OVERSEAS	199,994	192,321	+3.99	561,502	534,530	+5.05
	TOTAL	$541,195	$526,862	+2.72	$1,488,786	$1,440,930	+3.32
DEPARTMENT STORES	U.S.[1]	$8.417 bil.	$7.751 bil.	+8.59	$21.154 bil.	$19.851 bil.	+6.56

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1) **SOURCE:** U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Military Market

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CHRISTMAS '83

Male Action Figures Battle It Out...

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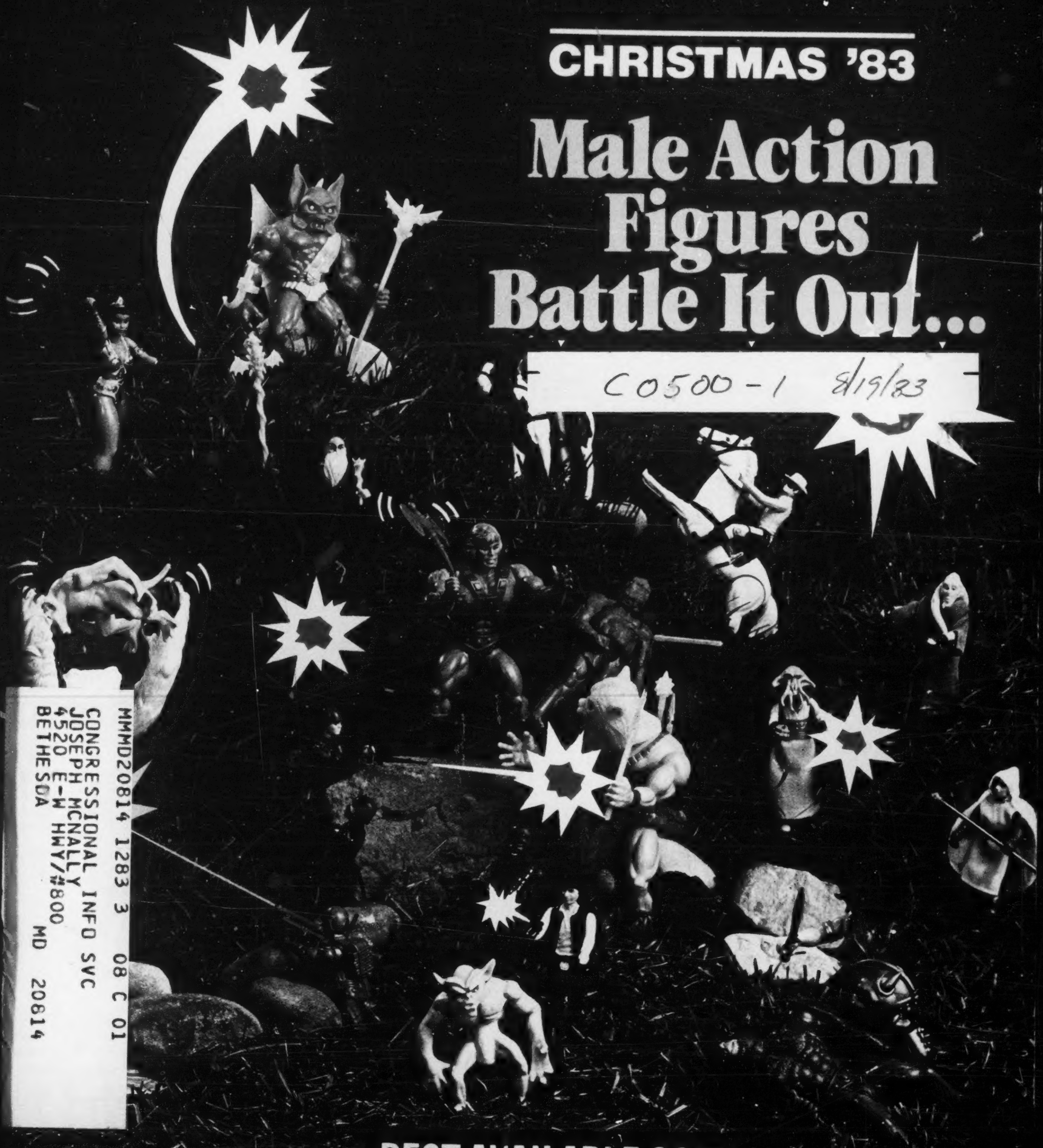

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Military Market serving the military retail system

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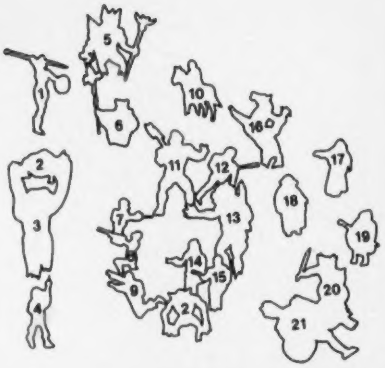

ON THE COVER: (1) Teela, warrior goddess, from Mattel's Masters of the Universe series; (2) Alien demon, from Galoob's Blackstar series; (3) Hoth Wampa, Kenner's "Return of the Jedi" series; (4) G.I. Joe machine gunner, Hasbro; (5) Gargo the Vampire Man, Galoob's Blackstar series; (6) Kolek, evil sorcerer, LJN's Advanced Dungeons & Dragons series; (7) G.I. Joe infantry trooper, Hasbro; (8) G.I. Joe Cobra enemy, Hasbro; (9) G.I. Joe bazooka soldier, Hasbro; (10) Tonto and his Indian pinto pony Scout, Gabriel; (11) He-Man, Mattel's Masters of the Universe; (12) Manglord, C.B.S. Toys/Ideal; (13) Tonga, the Leopard Man, Galoob's Blackstar series; (14) Chewbacca, Kenner's "Return of the Jedi" series; (15) Han Solo, Kenner's "Return of the Jedi" series; (16) The Lone Ranger and his great white stallion Silver, Gabriel; (17) Bib Fortuna, Kenner's "Return of the Jedi" series; (18) Squid Head, Kenner's "Return of the Jedi" series; (19) Mercion, good Cleric female, LJN's Advanced Dungeons & Dragons series; (20) Warduke, evil fighter, LJN's Advanced Dungeons & Dragons series; (21) Stratos, winged warrior, Mattel's Masters of the Universe series.

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October: Off-base shoppers, Incirlik commissary
November: Convention coverage, fresh meat, Fulda PX
December: Merchandising the front end, Sigonella

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Military Market index

Commissaries

		APRIL			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$150,939	$141,853	+6.41	$580,527	$536,688	+8.17
	OVERSEAS	30,571	28,285	+8.08	116,581	107,759	+8.19
	TOTAL	**181,510**	**170,138**	**+6.68**	**697,108**	**644,447**	**+8.17**
Army	CONUS	103,740	102,544	+1.17	410,852	388,544	+5.74
	OVERSEAS	32,550	31,096	+4.68	135,094	118,248	+14.25
	TOTAL	**136,290**	**133,640**	**+1.98**	**545,946**	**506,792**	**+7.73**
Navy	CONUS	64,832	52,113	+24.41	212,086	200,431	+5.81
	OVERSEAS	7,348	6,157	+19.34	24,355	23,735	+2.61
	TOTAL	**72,180**	**58,270**	**+23.87**	**236,441**	**224,166**	**+5.48**
Marines	CONUS	11,080	11,145	-0.58	44,908	43,341	+3.62
	OVERSEAS	205	185	+10.81	743	683	+8.78
	TOTAL	**11,285**	**11,330**	**-0.40**	**45,651**	**44,024**	**+3.70**
Coast Guard	CONUS	230	222	+3.60	1,092	1,057	+3.31
	OVERSEAS	166	192	-13.54	719	787	-8.64
	TOTAL	**396**	**414**	**-4.35**	**1,811**	**1,844**	**-1.79**
All Commissaries	CONUS	330,821	307,877	+7.45	1,249,465	1,170,061	+6.79
	OVERSEAS	70,840	65,915	+7.47	277,492	251,212	+10.46
	TOTAL	**$401,661**	**$373,792**	**+7.46**	**$1,526,957**	**$1,421,273**	**+7.44**
Grocery Stores	U.S.[1]	**$20.375 bil.**	**$19.438 bil.**	**+4.82**	**$77.862 bil.**	**$74.825 bil.**	**+4.06**

Exchanges

		APRIL			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$233,536	$228,555	+2.18	$840,011	$810,138	+3.69
	OVERSEAS	163,536	153,696	+6.40	597,678	567,404	+5.34
	TOTAL	**397,072**	**382,251**	**+3.88**	**1,437,689**	**1,377,542**	**+4.37**
Navy	CONUS[2]	90,815	88,165	+3.01	314,681	315,082	-0.13
	OVERSEAS[2]	37,209	37,500	-0.78	135,788	131,939	+2.92
	TOTAL[2]	**128,024**	**125,665**	**+1.88**	**450,469**	**447,021**	**+0.77**
Marines	CONUS	28,917	28,141	+2.76	105,619	106,469	-0.80
	OVERSEAS	4,958	4,498	+10.23	19,517	17,911	+8.97
	TOTAL	**33,875**	**32,639**	**+3.79**	**125,136**	**124,380**	**+0.61**
Coast Guard	CONUS[3]	6,301	6,353	-0.82	22,528	22,699	-0.75
	OVERSEAS[3]	859	708	+21.33	3,072	2,530	+21.42
	TOTAL[3]	**7,160**	**7,061**	**+1.40**	**25,600**	**25,229**	**+1.47**
Mail Order	CONUS[4]	1,078	1,033	+4.36	5,092	4,260	+19.53
	OVERSEAS[4]	3,619	4,941	-26.76	15,630	16,090	-2.86
	TOTAL[4]	**4,697**	**5,974**	**-21.38**	**20,722**	**20,350**	**+1.83**
All Exchanges	CONUS	360,647	352,247	+2.38	1,287,931	1,258,648	+2.33
	OVERSEAS	210,181	201,343	+4.39	771,685	735,874	+4.87
	TOTAL	**$570,828**	**$553,590**	**+3.11**	**$2,059,616**	**$1,994,522**	**+3.26**
Department Stores	U.S.[1]	**$8.595 bil.**	**$8.297 bil.**	**+3.59**	**$29.755 bil.**	**$28.148 bil.**	**+5.71**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

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Military Market

MAGAZINE FOR THE MILITARY RETAIL PUBLISHING COMPANY SEPTEMBER 1983 $2.00

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Military Market serving the military retail system

SEPTEMBER 1983/VOLUME 34/NO. 9
Army Times Publishing Company

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COVER PHOTO BY JOE MATERA

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coming

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November: Convention coverage, fresh meat, Fulda PX
December: Merchandising the front end, Sigonella
January: Buyers Guide, commanders' outlooks for '84

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Commissaries

		MAY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$138,828	$133,783	+3.77	$719,355	$670,471	+7.29
	OVERSEAS	28,429	27,464	+3.51	145,011	135,222	+7.24
	TOTAL	**167,257**	**161,247**	**+3.73**	**864,366**	**805,693**	**+7.28**
Army	CONUS	104,895	101,608	+3.23	515,747	490,152	+5.22
	OVERSEAS	29,610	30,784	-3.81	164,704	149,032	+10.52
	TOTAL	**134,505**	**132,392**	**+1.60**	**680,451**	**639,184**	**+6.46**
Navy	CONUS	52,417	51,537	+1.71	264,503	251,968	+4.97
	OVERSEAS	6,087	5,972	+1.93	30,442	29,706	+2.48
	TOTAL	**58,504**	**57,509**	**+1.73**	**294,945**	**281,674**	**+4.71**
Marines	CONUS	11,087	10,526	+5.33	55,996	53,867	+3.95
	OVERSEAS	200	188	+6.38	943	871	+8.27
	TOTAL	**11,287**	**10,714**	**+5.35**	**56,939**	**54,738**	**+4.02**
Coast Guard	CONUS	217	303	-28.38	1,308	1,360	-3.82
	OVERSEAS	176	197	-10.66	895	983	-8.95
	TOTAL	**393**	**500**	**-21.40**	**2,203**	**2,343**	**-5.98**
All Commissaries	CONUS	307,444	297,757	+3.25	1,556,909	1,467,818	+6.07
	OVERSEAS	64,502	64,605	-0.16	341,995	315,814	+8.29
	TOTAL	**$371,946**	**$362,362**	**+2.64**	**$1,898,904**	**$1,783,632**	**+6.46**
Grocery Stores	U.S.[1]	**$20.501 bil.**	**$20.009 bil.**	**+2.46**	**$98.428 bil.**	**$94.834 bil.**	**+3.79**

Exchanges

		MAY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$246,882	$230,797	+6.97	$1,086,894	$1,040,935	+4.42
	OVERSEAS	160,064	156,297	+2.41	757,742	723,701	+4.70
	TOTAL	**406,946**	**387,094**	**+5.13**	**1,844,636**	**1,764,636**	**4.53**
Navy	CONUS[2]	93,188	90,522	+2.95	407,869	405,604	+0.56
	OVERSEAS[2]	39,092	35,423	+10.36	174,880	167,362	+4.49
	TOTAL[2]	**132,280**	**125,945**	**+5.03**	**582,749**	**572,966**	**+1.71**
Marines	CONUS	28,773	27,792	+3.53	134,392	134,261	+0.10
	OVERSEAS	4,792	4,918	-2.56	24,309	22,829	+6.48
	TOTAL	**33,565**	**32,710**	**+2.61**	**158,701**	**157,090**	**+1.03**
Coast Guard	CONUS[3]	6,382	6,308	-1.17	28,910	29,007	-0.33
	OVERSEAS[3]	870	703	+23.76	3,942	3,234	+21.89
	TOTAL[3]	**7,252**	**7,011**	**+3.44**	**32,852**	**32,241**	**+1.90**
Mail Order	CONUS[4]	1,136	1,073	+5.87	6,228	5,332	+16.80
	OVERSEAS[4]	3,925	3,803	+3.21	19,555	19,893	-1.70
	TOTAL[4]	**5,061**	**4,876**	**+3.79**	**25,783**	**25,225**	**+2.21**
All Exchanges	CONUS	376,361	356,492	+5.57	1,664,293	1,615,139	+3.04
	OVERSEAS	208,743	201,144	+3.78	980,428	937,019	+4.63
	TOTAL	**$585,104**	**$557,636**	**+4.93**	**$2,644,721**	**$2,552,158**	**+3.63**
Department Stores	U.S.[1]	**$9.159 bil.**	**$8.757 bil.**	**+4.59**	**$38.910 bil.**	**$36.905 bil.**	**+5.43**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

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Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY OCTOBER 1983 $2.00

How ya gonna keep 'em down on the base after they've seen

Sears
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Vons
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Basics
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Food Barn
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PLUS: Concession management, tobacco products, H&BA, ALA convention calendar, food bank update and a contracted commissary in Turkey

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Military Market serving the military retail system

OCTOBER 1983/VOLUME 34 NO. 10
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and

REACHING OFF-BASE SHOPPERS

How to Get Them Back on Base

Increasing competition from civilian warehouse supermarkets and discount chains is making it difficult for base stores to compete for the off-base shoppers' dollars. A look at what the resale systems are doing — and could be doing — to attract more eligible shoppers.

By GUY LAMOLINARA
Managing Editor

THERE ARE nearly as many reasons given by resale system insiders for customer defections to civilian stores as there are insiders who give the opinions.

"They complain about the hours we are open," "They think the prices are too high" and "They say the stores are too crowded" were some of the responses to MILITARY MARKET's questions about getting off-base shoppers back on base and into commissaries and exchanges.

Customer defections to civilian stores is no new trend to the resale systems, which have been watching military personnel get hooked on 24-hour, seven day, credit card, discount shopping facilities for at least two decades. A July 1981 Rand Corp. study shows a definite problem in reaching military personnel and their families living off base. Results show that families living on base spend an average of 28.6 percent, or $623, more per year in the commissary than families who live off base.

The spending discrepancy for exchanges is even more discouraging: Personnel living in on-base family housing spend 42 percent more than those in off-base civilian housing, 36 percent more than all personnel who live off base (both civilian and military housing), and 23 percent more than the average expenditure of all active duty personnel and dependents.

The Rand survey also showed that those who need the savings most — enlisted personnel — use the commissaries least. When asked what percent of their income was spent in the commissary, more than three times as many enlisted (22.9 percent of the total) said they never bought groceries at commissaries; only 7.5 percent of all officers said "none." These figures are for marrieds and singles.

On the exchange side, personnel living in on-base family housing spent 42 percent more than those in off-base civilian housing, 36 percent more than all personnel who live off-base, and 23 percent more than the average expenditure of all active duty personnel and dependents.

The number of monthly shopping trips to the comstore was also greater for on-base shoppers, who purchased food from commissaries an average of 4.5 times per month, vs. 3.2 times per month for those in off-base civilian and military housing.

Making Patrons Aware

In the nearly one year since the American Logistics Association announced its Patron Awareness Program at last year's annual convention, "both our colleagues in military service and those in manufacturing, brokers and media members of the ALA have responded enthusiastically to this program. [It is designed to] increase the awareness to eligible patrons as to just what a big benefit commissaries and exchanges are," says Ann Lowell Allen, ALA's director of communications.

A 1983 attitude study, conducted by Counsel House Research for the ALA, polled 10,242 military personnel selected on a scientifically random basis; the survey was worldwide.

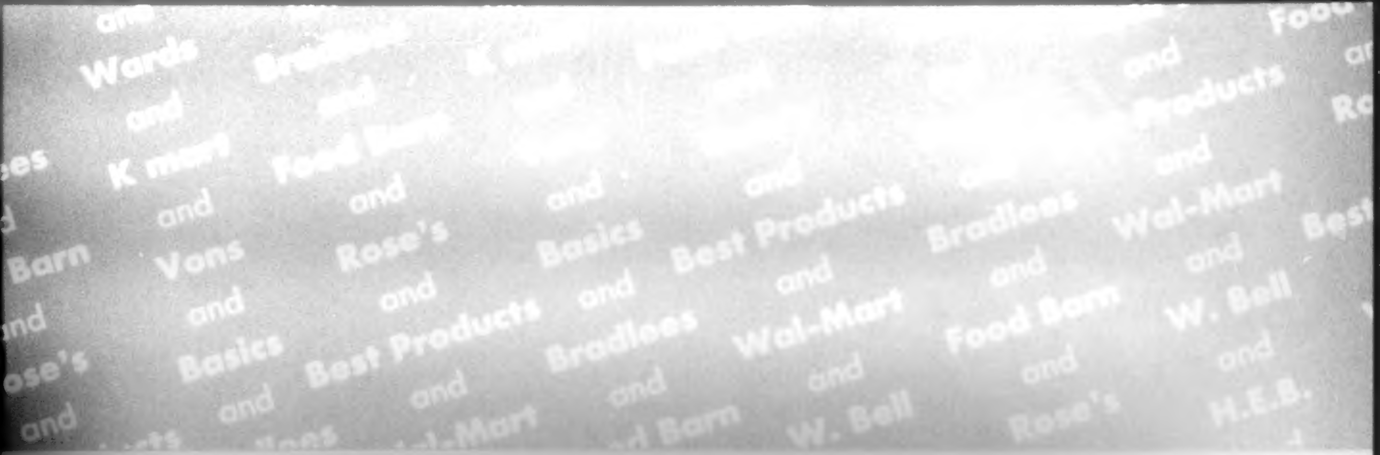
According to Allen, the survey was conducted "to fill a need that was articulated by individual commanders within the services, by people in the Office of the Secretary of Defense and by members on the Hill with responsibilities for the [resale] systems." Specifically, Allen says, the ALA wanted to verify and quantify the importance of the shopping benefit, "to fill an important need for verifiable statistics."

Results show that the commissary/exchange benefit is an important consideration in reenlistment, but that many eligible shoppers are not sufficiently aware of this benefit.

There is much work to be done in educating eligible patrons about their shopping benefits. For instance, a question concerning savings at commissaries showed that perceived savings are lower than actual savings: The majority of respondents said that commissary savings were less than 20 percent.

Specifically, eight percent of the respondents said there were no savings to be had by shopping in the comstore; 11 percent said there was from zero percent to five percent to be saved; 17 percent said they could cut their grocery bills by five percent to 10 percent by shopping in the commisary; 21 percent thought commissary prices were 10 percent to 15 percent lower than civilian stores. This means that 57 percent of the respondents do not realize that commissaries are required — and do — save their patrons at least 20 percent.

But some respondents got their numbers straighter: Eighteen percent answered 15 percent to 20 percent; fifteen percent said 20 percent to 25



percent, and 10 percent said 25 percent or more.

ALA's Patron Awareness Program is targeted at correcting that misperception about commissary savings. A few examples of what the association is doing and plans to do:

- Two ads promoting commissaries and two promoting exchanges are running in newspapers and magazines aimed at the military. These ads have also appeared in overseas editions of national consumer magazines; space is donated by the publishers.
- Point-of purchase materials have been developed to get slogans, such as "I'm smart. I shop on base." and "The commissary/post exchange. The best deal in town," into the stores. ("Each of the services has given their specific endorsement and support to the POP materials," Allen tells MILITARY MARKET, "so we are anticipating that you'll see them in every store. This will actually put ALA in the field, in the stores.")
- Looking further down the line, ALA is in the planning stages of some type of big consumer event, perhaps a sweepstakes or contest.
- In terms of publicity, the association is broadening its base beyond the resale systems. The ALA has spoken with retention and recruitment personnel in all the services to remind them of the strength of the shopping benefit. "We have let them know what our program is about. We are encouraging them to use the commissary benefit as an important tool in their reenlistment efforts," Allen says.

The association has also discussed publicizing the benefit with the armed services' advertising agencies. "We have let them know, 'Hey, here's a great benefit [that you should be promoting in your ads],'" she says.

The survey shows that the shopping benefit has a strong, positive influence on reenlistment. Fifty-six percent of enlisted, 79 percent of warrant and 63 percent of officers said the commissary privilege was important in their decision to reenlist. Results also showed that the commissary benefit is seen as being more important to servicemembers than the exchange.

Another survey finding was that the servicemember's perception of the importance of the military shopping benefit increased at a higher rate than did perceptions of the importance of other benefits, such as medical.

"We're not disputing that the medical benefit is the most important one to servicemembers. The real significance is the increase in importance of the shopping benefit over time," Allen says.

More detailed results of the survey will be presented at the annual convention, Oct. 9-12.

Millionaires or Damn Fools

The problem of losing customers to discount department stores and warehouse grocery stores is not taken lightly by resale system officials.

"Yes, it [not reaching the off-base shopper] is a problem and will re-

Average Expenditures in Exchanges By Active Duty Military Personnel

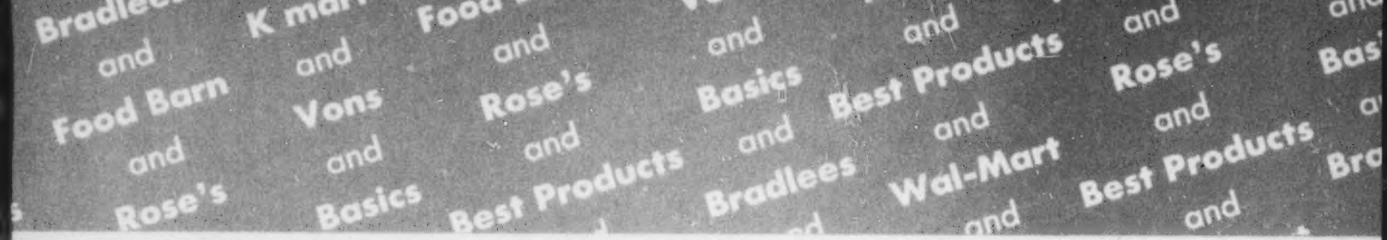
Housing	Monthly	Yearly
Off-base civilian	$98.31	$1,180
Off-base military	136.64	1,640
Combined off-base	103.00	1,236
On-base family	139.59	1,675
On-base bachelor (BOQ, BEQ, barracks, ship	111.83	1,342
Combined on-base	123.17	1,478
All active duty	113.20	1,358

SOURCE: The 1978/1979 DoD Survey of Officers and Enlisted Personnel by the Rand Corp.

Average Amount Spent in Commissaries By Military Families, By Type Of Current Housing Arrangements

Housing	Monthly	Yearly
Off-base civilian	$179.12	$2,149.44
Off-base military	196.47	2,357.64
Combined off-base	181.56	2,178.72
On-base family	233.53	2,802.36

SOURCE: The 1978/1979 DoD Survey of Officers and Enlisted Personnel by the Rand Corp.



REACHING OFF-BASE SHOPPERS

main so until AAFES can advertise in installation newspapers to those who live off installations," AAFES spokesman Marshall Sitrin tells MILITARY MARKET. "Currently, AAFES concessionaires can and do advertise, but the retail [division] does not," he says. "More than 50 percent of our active duty and 100 percent of our retired reserve and guard customers live off base. We can only reach them through specialized publications and when they come on the installation."

AAFES estimates that only about 20 percent of the military's disposable income goes into AAFES' coffers, an amount the system would like to increase, says Sitrin. The system could advertise, "however, we choose not to do so. But by the regulation, we can advertise in armed forces and civilian newspapers," he says. Jim Gildersleeve, assistant chief of AAFES' Sales and Management Branch, says, "The retail division wants to concentrate on what we are already into [in terms of advertising] — the tabloids that we hand out in the stores. We feel we would not get the return on investment that would make it worthwhile to do paid advertising in military papers." He says that overseas, AAFES places paid ads in "Stars & Stripes."

(According to DoD Instruction 1015.2, issued September 1981 and updated January 1982, exchanges and other MWR activities "must communicate their presence and the availability of the goods and services they offer to as many potential patrons as they can." Exchanges may purchase advertising in armed forces newspapers and civilian publications aimed primarily for distribution on military installations and to authorized MWR activity patrons.

(Since commissaries are appropriated fund activities, the rules are different. Commissaries are allowed to pay for such promotional items as flyers that are mailed off base; expenses come out of surcharge income.

Some things AFCOMS is doing to reach more shoppers is to create ads that are run free of charge in military publications. "We did it two years before anyone else did it," an AFCOMS source says. The resale system also produced spot ads for the armed forces television and radio networks overseas.

AFCOMS even found a way to promote itself on its own brand of matches. The matchbooks sell for a minimum of 15 percent less than other brands and feature the "Wise Buy" owl. "We have tried to do everything we could possibly do at no additional cost to the taxpayer," the source says.

Says Harvey H. Inouye, director of public affairs, "All of our customers are significant. No one can be taken for granted."

Officials at TSA, however, have a somewhat different view. The number of eligible shoppers who don't shop on base is "very, very small," says Sidney Robbins, chief of the Operations Branch. "Anyone who has commissary privileges who does not shop in the commissary is either a millionaire or a damn fool," he tells MILITARY MARKET.

"Perhaps the only ones who don't shop in the commissaries are those who don't know any better," says Public Affairs Officer Flo Dunn. This doesn't mean, however, that the agency does nothing to educate its customers on the benefit. "We've talked to wives' clubs. We've even talked to the troops to tell them what the benefits are. Some people just don't compare the prices with those in the civilian stores," Robbins says.

'Using Every Means We Can'

One resale system taking advantage of DoD's softened policy on advertising is NAVRESSO. Field support offices at Seattle, Norfolk and Davisville, R.I., have sent mailings to eligible patrons in an effort to encourage on-base shopping; the system also advertises in military newspapers, such as "Navy Times."

Headquarters NAVRESSO has urged the FSOs to make mailings to authorized patrons. "We have even told them how to get the names," says spokesman John Russas. Some sources of addresses of eligible patrons are Fleet Reserve Associations and DoD payroll lists. The DoD lists give addresses, but not names, in a specific zip code, allowing the Navy stores to target their ads to those living nearby.

"We use every means we can, and this is one way to reach the infrequent shopper," Russas tells MILITARY MARKET.

Another program designed to promote on-base shopping is the Welcome Aboard seminar, which includes a briefing on the commissary and exchange benefit. Headquarters also suggests that the stores pass out address cards at this time, asking servicemembers if they would like to be on a mailing list for advertisements of sales events.

In addition to in-store flyers produced by the commissaries, mailings are done, under the DoD directive allowing advertising, as a nonappropriated fund expense. Exchanges, on the other hand, are required to pay their own postage. "We have suggested they obtain bulk-mailing permits, and to send the flyers far enough in advance that they reach the patron in a timely fashion," Russas says. "The bulk-mailing permit also reduces costs."

To target the problem of customer discontent more definitively, NAVRESSO has been conducting a survey on shoppers' attitudes *(See box on page 48)*, the results of which will be released in November.

Since AAFES currently limits its promotional efforts to on-base activities, it has been making a concerted effort to make the advantages of exchange shopping apparent to those who do enter the store, whether they are frequent — or infrequent — shoppers. Besides in-store tabloids and news stories in installation media, AAFES uses some civilian merchandising tactics to beat the off-base stores at their own game. These include spots on closed-circuit television and closed-loop radio.

"We have also been heavily promoting the Home Shopping Guide and the U.S. edition of the Exchange Catalog," Sitrin says. The guide lists exchange phone numbers and contains merchandise unavailable in smaller exchanges.

Sitrin believes AAFES' promotions get good coverage among active duty personnel, but for retirees, "who generally shop the exchange once a

Getting the Customer's Side of the Story

By NANCY TUCKER
Editor

WHILE 85 PERCENT of the active duty Navy force is comprised of enlisted personnel, Navy exchanges have long been perceived as places where only officers shop.

NAVRESSO, prompted by its command master chief, has been trying to erode this perception over the last couple of years, and the most recent effort in its campaign to draw more enlisteds into the stores is a videotape. In it, active duty Navy enlisted personnel and enlisted dependents tell exchange officials some things they'd probably rather not hear.

The film is a picture of "what our customers think about their exchanges — and not what we want them to think about them," in the words of Capt. Steve Evans, the agency's vice commander, who opens the film with a brief on-camera introduction.

To make the film, NAVRESSO hired an outside consulting firm, Response Analysis, of Princeton, N.J., which then conducted a dozen "focus group" interviews. Half were held in Norfolk in April, the remaining half in San Diego in May. Twenty-two hours of tape have been edited down to 41 minutes, which Navy Headquarters exchange buyers, field support office staffs and store level officials are now able to watch on cassettes, said Eileen Cummins, NAVRESSO's consumer research coordinator. The cassettes were expected to be available during September, John Marecki, assistant deputy commander of the Exchange Operations Group, told MILITARY MARKET.

To enhance spontaneity, the interviews were conducted by the civilian consultants rather than by military personnel, and identification was by first name only, although most of the active duty participants were in uniform. The interviews were limited to active duty enlisted personnel or enlisted dependents; the two groups were not mixed. Active duty personnel were divided into sessions for E-3s through E-5s, and separate sessions for E-6s through E-8s and E-9s. The dependents in the filmed interviews were not the spouses of the active duty personnel in the interviews, but were recruited separately. "Frequent" shoppers among the dependent groups were recruited while shopping in exchanges; "infrequent" shoppers were contacted during their commissary shopping trips.

Most of the film is composed of excerpts from the actual interview sessions. Discussion is sometimes heated and opinions are uncensored. But there are 10 points made during the interview sessions upon which substantial unanimity was achieved. Navy exchanges, say the people on film, should:

- provide a way to buy on credit other than the layaway program;
- build up budget merchandise, especially in the areas of women's, children's and off-duty clothing;
- permit exchanges in ConUS to carry major appliances and other high-cost merchandise like televisions and stereo components;
- find a way to get exchange advertising into customer households;
- clear up consumer confusion about the difference between budget and green tag merchandise;
- make sure the stores have enough of the most desirable sizes and styles, especially in the clothing area;
- use additional merchandising devices (like giveaways or trial packs) to increase trial and continued usage, especially on Navy Exchange brand merchandise;
- make a virtue of exchange customers' price sensitivity by stressing low exchange prices and the absence of sales taxes;
- understand that customers expect the exchange to provide the same conveniences as civilian competitors — hours of operation, credit, advertising; courtesy training is especially important to enlisted shoppers;
- make the exchange a valuable part of the Navy by increasing customer loyalty.

Focus groups are generally used to determine shopper attitudes and motivations and not to establish policy recommendations, so Navy exchange officials stress the informality of these recommendations and the fact that the participants in the focus group interviews do not represent a statistically valid sample.

NAVRESSO is, however, moving forward with more detailed face-to-face interviews — 1400 of them, done in seven geographical areas — which will provide additional information. The content of the questionnaires follows leads provided in the videotaped group interviews and will undoubtedly result in some policy changes and fine-tuning of NAVRESSO marketing strategies.

What are some of the things that may come out of this process? While officials stress that no decisions have been completed, the Navy Exchange brand program could be expanded to the clothing area especially in long-committment categories like socks, and color changes may be made to resolve the confusion between the green tag and budget merchandise programs (both presently use green).

The Navy is also behind the current push in the Defense Department and Congress to test major bank credit cards in exchanges. High-level NAVRESSO officials estimate that use of credit cards in exchanges could bring the system $60 million a year, about a four percent increase in sales.

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month ... the matter of convenience overshadows the cost savings to these people. They know they can save by shopping with us, but for a few dollars, is it really worth their time and gas to visit the base?"

The Exchange Catalog and Home Shopping Guide are therefore means of attracting the dollars of the off-base shopper without making him travel to the base. "This is where we feel catalog shopping will come into its own," Sitrin says.

'They Don't Do a Lot'

Many of those responsible for selling to the commissaries and exchanges tell MILITARY MARKET that the resale systems don't do nearly enough to promote themselves.

"I've seen a lot of flyer activity, especially in the Navy, but the resale systems overall don't do a lot. They don't do a good job of telling people what they have to offer," one military marketer says.

"At the very least, they could tell their customers with signs on the base where the exchange and commissary are. Many of the new recruits don't even know where they [the stores] are," says Dale Turner, vice president of military, international and special markets for The Wine Group. "I've gone to bases where even the people at the gate didn't know where the stores are," he says.

Turner also believes manufacturers could help. "Suppliers could set up their own loss leaders. It gives the product name a lot of exposure," he says. During one promotion 1500 cases of wine were sold in two weeks at a single base, Turner says. Reason: The package stores were able to sell the wine, under a company-sponsored loss leader program, for 95¢ a bottle.

Another salesman tells MILITARY MARKET that to reach shoppers living off base the resale systems need to advertise in military publications that are *delivered* off base. "Those magazines that are distributed at the commissary only reach shoppers already shopping on base. Many of those magazine are discarded and never get home," he says.

"Where they [resale systems] fail is when new families come on base. When the servicemember gets the check-off sheet, it should include a space to check off the fact that they've been given a briefing on the commissary and exchange," says a third military marketer.

'Manufacturers Could Help'

AAFES sees one of the problems of reaching more shoppers as a lack of awareness among manufacturers of the importance of the military market. "Manufacturers supporting AAFES' sales promotions could help bring customers back to the exchange. Cents-off coupons, advertisements [geared for the military market] could help bring them back," says Sitrin. "ALA and the Armed Forces Marketing Council have to convince manufacturers of the value of the military market — its size, purchasing power and the fact that the exchange helps build a market for their products which extends long after the customers leave the service. The military gets young people who have not yet made brand-preference commitments," he says.

Another way for manufacturers to reach more shoppers would be for them to make more and better use of demographic data from organizations such as the Army Times Publishing Co., Sitrin says. "If manufacturers would take advantage of these data they could pinpoint their promotions to the group with greater success."

AFCOMS sees its Market Basket Surveys, and their subsequent publication in military publications like *Air Force Times*, as an important way to reach and educate off-base shoppers. Like AAFES, AFCOMS views military coupon promotions as an effective method to encourage shopping on base.

Why Not on Base?

According to AFCOMS' Inouye, two problems are primarily responsible for shoppers defecting to off-base stores: the close proximity of civilian stores to those living off base and customer ignorance of the savings available.

A 1982 survey also gives some clues on customer dissatisfaction, especially in softgoods. AAFES conducted a survey of 13,510 patrons at 29 ConUS installations to gather information on customers' clothing shopping habits. Across the board, for women's, men's and children's wear, the most frequent complaint about exchange clothing selections by customers who bought their clothing in off base stores was size selection. Convenience of location was only mentioned by about three percent of the respondents, and convenience of shopping hours was even less a factor, mentioned by only two percent. Better prices was the second-most frequently cited reason for shopping off base.

Although the 1983 A.C. Nielsen price comparison results showed a savings of at least 20 perecent over civilian stores, these stores use such gimmicks as loss leaders to lure customers away from the base. AAFES does not as a rule use loss leaders to induce customers to shop in its stores, although it can if it so desires.

According to John Russas, NAVRESSO's director of public affairs, generally, the exchanges do not sell below cost. "Occasionally we have gone below cost to be competitive." He says NAVRESSO is coming out with an optional program that will allow any exchange to take a position of not being undersold. In this case, the store can go below cost. Under the program, a customer must come into the store with a current ad for the product from a civilian store in the same geographic region as the exchange. The price will then be lowered for that customer and any others who follow the same procedure.

Under House Armed Services regulations, commissaries can never sell below cost.

'Dumb to Try to Compete'

Officials believe that in the long run it would be more prudent for civilian retailers located near the base, especially those who would like to see an end to the resale systems, to offer services and products the systems are unable to provide. "I feel that trade associations and the media have to convince the outside-the-gate retailers to quit griping and writing their congresspeople and instead adjust their stock assortment to be compatible with AAFES," says Sitrin. "It's dumb to try to compete with a $4.6 billion organization. We can buy larger quantities and at lower prices than they ever can.

"They should be promoting those things we don't or can't sell — televisions, large appliances, accessories. They should get into parts and service, delivery and credit. They should think about becoming an AAFES concessionaire. That way they can get a piece of the on-installation business as well as that outside the gate," Sitrin adds.

No one can fault the resale systems for not doing their part to promote themselves. Constraints on operating hours, advertising, loss leaders (in commissaries) and authorized stocks make it difficult for on-base stores to compete with unrestrained civilian stores. Coupled with many servicemembers' misconceptions about the potential for savings, these constraints are even more significant. Sitrin sees the patron as the one who ultimately must weigh his shopping choice: "The customer has to determine whether the price difference is worth the inconvenience of coming out to the exchange to save."

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Commissaries

		JUNE			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$154,763	$144,095	+7.40	$874,118	$814,567	+7.31
	OVERSEAS	29,155	26,744	+9.02	174,166	161,966	+7.53
	TOTAL	**183,918**	**170,839**	**+7.66**	**1,048,284**	**976,533**	**+7.35**
Army	CONUS	103,425	102,128	+1.27	619,172	592,280	+4.54
	OVERSEAS	35,070	29,848	+17.50	199,774	178,880	+11.68
	TOTAL	**138,495**	**131,976**	**+4.94**	**818,946**	**771,160**	**+6.20**
Navy	CONUS	65,675	51,728	+26.96	330,179	303,697	+8.72
	OVERSEAS	7,260	5,932	+22.39	37,701	35,638	+5.79
	TOTAL	**72,935**	**57,660**	**+26.49**	**367,880**	**339,335**	**+8.41**
Marines	CONUS	11,817	11,092	+6.54	67,813	64,959	+4.39
	OVERSEAS	188	183	+2.73	1,131	1,054	+7.31
	TOTAL	**12,005**	**11,275**	**+6.47**	**68,944**	**66,013**	**+4.44**
Coast Guard	CONUS	313	308	+1.62	1,622	1,668	-2.76
	OVERSEAS	131	116	+12.93	1,027	1,100	-6.64
	TOTAL	**444**	**424**	**+4.72**	**2,649**	**2,768**	**-4.30**
All Commissaries	CONUS	335,993	309,351	+8.61	1,892,904	1,777,171	+6.51
	OVERSEAS	71,804	62,823	+14.30	413,799	378,638	+9.29
	TOTAL	**$407,797**	**$372,174**	**+9.57**	**$2,306,703**	**$2,155,809**	**+7.00**
Grocery Stores	U.S.[1]	**$20.720 bil.**	**$19.585 bil.**	**+5.80**	**$119.168 bil.**	**$114.419 bil.**	**+4.15**

Exchanges

		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$242,176	$232,774	+4.04	$1,329,070	$1,273,709	+4.35
	OVERSEAS	156,314	150,302	+4.00	914,056	874,003	+4.58
	TOTAL	**398,490**	**383,076**	**+4.02**	**2,243,126**	**2,147,712**	**+4.44**
Navy	CONUS[2]	86,015	85,036	+1.15	493,884	490,641	+0.66
	OVERSEAS[2]	37,622	34,857	+7.93	212,502	202,219	+5.09
	TOTAL[2]	**123,637**	**119,893**	**+3.12**	**706,386**	**692,860**	**+1.95**
Marines	CONUS	27,985	27,803	+0.65	162,377	162,064	+0.19
	OVERSEAS	4,383	4,750	-7.73	28,692	27,579	+4.04
	TOTAL	**32,368**	**32,553**	**-0.57**	**191,069**	**189,643**	**+0.75**
Coast Guard	CONUS[3]	6,314	6,152	+2.63	35,224	35,160	+0.18
	OVERSEAS[3]	861	686	+25.51	4,803	3,920	+22.53
	TOTAL[3]	**7,175**	**6,838**	**+4.93**	**40,027**	**39,080**	**+2.42**
Mail Order	CONUS[4]	965	958	+0.73	7,193	6,290	+14.36
	OVERSEAS[4]	3,743	3,396	+10.22	23,297	23,289	+0.03
	TOTAL[4]	**4,708**	**4,354**	**+8.13**	**30,490**	**29,579**	**+3.08**
All Exchanges	CONUS	363,455	352,723	+3.04	2,027,748	1,967,864	3.04
	OVERSEAS	202,923	193,991	+4.60	1,183,350	1,131,010	+4.63
	TOTAL	**$566,378**	**$546,714**	**+3.60**	**$3,211,098**	**$3,098,874**	**+3.62**
Department Stores	U.S.[1]	**$9.188 bil.**	**$8.257 bil.**	**+11.28**	**$48.121 bil.**	**$45.162 bil.**	**+6.55**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.